FamilyMart

Annual Report 2013

もっと笑顔に、もっとコンビに。

FamilyMart Basic Principles

Our Slogan

"FamilyMart, Where You Are One of the Family"

Our mission is to always be close to our customers' hearts, and an indispensable part of their lives.

FamilyMart's Goal

We aim to make our customers' lives more comfortable and enjoyable, primarily by displaying hospitality in everything we do, and by ensuring a shopping experience characterized by convenience, friendliness and fun.

FamilyMart's Basic Management Policies

- We will continue to provide innovative, high-quality products and services that make a positive, lasting impression on our customers and warm their hearts.
- We are working to raise enterprise value through our business activities in line with the spirit of "Co-Growing," by which we mean realizing mutually beneficial relationships with our franchisees, business partners, and employees, thereby fulfilling our responsibilities to all our stakeholders.
- We aim to win the highest trust of the general public by observing all laws and ethical norms, raising the level of transparency in our business activities, and always upholding the principles of fair competition.
- In consideration of the overriding need for environmental preservation, we will enthusiastically contribute to the welfare of the local communities in which we operate and society as a whole, providing reliable and safe products and services to help realize a future full of new possibilities.
- We encourage our colleagues to create a vibrant corporate culture by keeping abreast of social trends and showing an interest in a wide range of subjects. In this way, we are confident that our staff will hit upon good ideas and then act on them.

FamilyMart's Action Guidelines

"Famimaship"

"Listen, Decide, Act" "Wholehearted Hospitality"

- Exceeding customers' expectations
- Growing together, through mutual trust
- Cultivating esthetic sensitivity
- Enjoying new challenges
- Acting with integrity




もっと笑顔に、もっとコンビに。

Ushering in countless discoveries and excitement, 365 days a year.

FamilyMart — a convenience store determined to be more than just handy,

championing tomorrow's affluence and joy.

Higher quality and innovation in each product.

Unveiling new concepts, beyond the realm of conventional service.

Learning how customers feel, then exceeding their expectations.

More smiles, more service, with you.

Your neighborhood FamilyMart, in constant evolution.



Contents

Editorial Policy

The Annual Report 2013 comprises important information selected from various information about FamilyMart's management strategies and business activities, performance results, and CSR activities in fiscal 2012, as well as about the Company's management organization, reported in an easy to understand and integrated fashion. Through this avenue of voluntary disclosure, we can introduce detailed activities based on management strategies and present the opinions of managers in their own words in a way that would not be possible with compulsory disclosure. Regarding CSR, we have selected activities as a social and lifestyle infrastructure provider that we believe are of particular interest to stakeholders and that are of particular importance to FamilyMart.

Period and Scope of the Report

This annual report covers the fiscal year ended February 28, 2013 (fiscal 2012), and also includes some activities subsequent to February 28, 2013. Environment-related data refers only to FamilyMart (non-consolidated).

Network of 22,181 stores in 8 markets

Average number of customers visiting our stores per day, around the world: more than 15 million

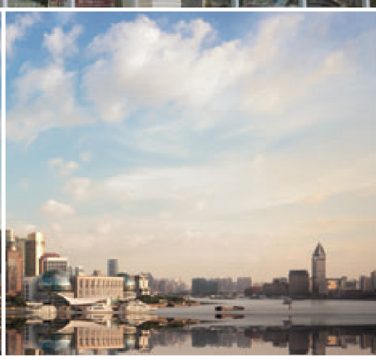
(As of February 28, 2013)

Overseas stores: 57%

FamilyMart is a Japanese convenience-store chain, founded in 1973. Through aggressive expansion centered on Asia, the Company now has more stores overseas than in Japan.

World No. 2

FamilyMart had a total of 22,181 stores in Japan and overseas, the second-highest number of stores world-wide of any convenience-store chain. We are working every day to expand our store network and enhance store services to achieve continued growth in our customer base.



Our Vision

Becoming No. 1 in Asia as a Japanese Convenience Store
Then, Aiming to be World No. 1!

22,181
stores
(Fiscal 2012)

Asia No. 1

World
No. 1

P.20:
Aiming to Be the World's No. 1 Convenience-Store Chain

Becoming an Essential Social and Lifestyle Infrastructure Provider

As a close and convenient store

As a base for finance and services

As a social and lifestyle infrastructure provider

P.24:
A Social and Lifestyle Infrastructure Provider

Consolidated Financial Highlights

FamilyMart Co., Ltd. and Consolidated Subsidiaries Years Ended the Last Day of February

	2013	2012	2011	2010
Results of operations:				
Total operating revenues (Note 1):	334,087	329,218	319,889	278,175
Commission from franchised stores	198,222	189,659	181,064	161,167
Other operating revenues	30,800	29,546	27,129	22,988
Net sales	105,065	110,013	111,696	94,020
Operating income	43,108	42,586	38,223	33,531
Net income	25,020	16,584	18,023	15,103
Net cash provided by (used in) operating activities	64,638	72,900	50,338	(6,575)
Net cash used in investing activities	(46,237)	(20,746)	(25,798)	(36,152)
Net cash (used in) provided by financing activities	(16,089)	(14,189)	(13,977)	(8,342)
Financial position:				
Total assets (Notes 2, 3)	526,590	472,822	436,034	424,209
Total equity (Note 4)	248,155	225,939	216,979	206,490
Per share of common stock (in yen and U.S. dollars):				
Total equity (Note 4)	2,517.4	2,299.1	2,207.5	2,096.4
Basic net income (Note 5)	263.6	174.7	189.7	158.5
Cash dividends applicable to the year (Note 5)	100.0	82.0	72.0	70.0
Ratios:				
Equity ratio (%)	45.4	46.2	48.1	47.1
ROE (return on equity) (%)	10.9	7.8	8.8	7.7
ROA (return on total assets) (%)	5.0	3.6	4.2	3.7
PER (price earnings ratio) (times)	14.8	18.1	16.3	18.0
Payout ratio (%)	37.9	46.9	37.9	44.2
Other data:				
Growth rate of average daily sales of existing stores (non-consolidated) (%)	(1.6)	4.4	(0.2)	(2.4)
Number of store openings (non-consolidated) (Note 6)	900	851	741	545
Number of total chain stores	22,181	20,079	17,598	15,789
Japan (including area franchised stores)	9,481	8,834	8,248	7,688
Overseas	12,700	11,245	9,350	8,101
Number of full-time employees	6,081	8,327	7,569	7,204
Number of shareholders	12,270	11,913	12,391	13,274

Notes: 1. Operating revenues from the fiscal year ended February 2009 declined as a result of a change in the method of revenue recognition for consolidated subsidiary famima.com Co., Ltd., from a gross basis to a net basis.
2. Total assets as of the fiscal 2003 year-end include the amounts for trade payables (¥37,883 million) and other payables (¥3,287 million) as the due date (February 29, 2004) fell on a bank holiday.
3. Total assets as of the fiscal 2008 year-end include the amount for trade payables (¥42,334 million) as the due date (February 28, 2009) fell on a bank holiday.

Key Points of Fiscal 2012 Results

Operating Income

¥43.1 billion

(Up 1.2% YoY)

Ordinary Income

¥45.4 billion

(Up 1.3% YoY)

Operating and ordinary income both reached record highs as a result of aggressive store openings in Japan, a recovery in the gross profit ratio, and contributions from affiliated companies in Japan and overseas.

Net Income

¥25.0 billion

(Up 50.9% YoY)

Net income also reached a record high in the fiscal year under review due to the sale of stock in our Thai business and a recovery after the previous fiscal year's temporary losses.

Millions of yen							Thousands of U.S. dollars (Note 7)
2009	2008	2007	2006	2005	2004	2003	2013
287,342	319,439	297,849	276,443	252,901	228,977	217,468	3,592,333
162,288	150,351	142,294	138,636	132,864	127,164	122,738	2,131,419
22,571	21,232	21,049	19,256	16,438	14,730	13,778	331,183
102,483	147,856	134,506	118,551	103,599	87,083	80,952	1,129,731
36,532	31,214	29,609	32,662	30,869	29,093	27,921	463,527
16,452	16,438	14,969	14,195	12,623	13,788	12,880	269,032
75,028	49,375	35,093	42,778	1,428	73,593	32,694	695,032
(28,217)	(24,593)	(32,938)	(32,249)	(23,183)	(10,719)	(29,327)	(497,172)
(7,030)	3,956	(19,155)	(4,238)	(3,922)	(3,892)	(3,626)	(173,000)
398,126	351,271	315,256	314,121	286,771	309,315	250,609	5,662,258
197,529	191,281	171,155	168,233	156,931	147,524	137,636	2,668,333
2,001.5	1,921.6	1,771.3	1,736.2	1,619.5	1,522.3	1,421.0	27.06
172.6	173.5	158.8	145.7	129.5	141.5	133.0	2.83
68.0	60.0	46.0	43.0	38.0	38.0	38.0	1.08
47.9	52.2	51.9	53.6	54.7	47.7	54.9	
8.8	9.5	9.0	8.7	8.3	9.7	9.6	
4.4	4.9	4.8	4.7	4.2	4.9	5.2	
19.2	17.8	20.5	25.1	24.0	21.1	14.4	
39.4	34.6	29.0	29.5	29.4	26.8	28.6	
7.1	0.9	(1.4)	(1.6)	1.2	(2.9)	(0.5)	
542	520	586	606	532	456	501	
14,651	13,875	13,122	12,452	11,501	10,326	9,123	
7,404	7,187	6,974	6,734	6,424	6,199	6,013	
7,247	6,688	6,148	5,718	5,077	4,127	3,110	
6,950	6,647	6,735	6,048	5,458	4,675	4,466	
12,293	14,933	17,880	17,444	18,644	21,173	24,263	

4. Beginning with the fiscal year ended February 28, 2007, minority interests have been included in total equity.
5. Effective from the fiscal year ended February 2004, FamilyMart has applied the Accounting Standard for Earnings per Share (Accounting Standards Board of Japan (ASBJ) Statement No. 2) and the Guidance on the Accounting Standard for Earnings per Share (ASBJ Guidance No. 4).
6. Includes stores opened under the TOMONY format and stores converted from the am/pm brand.
7. Conversion into U.S. dollars has been made at the exchange rate of ¥93 = US$1, the rate prevailing on February 28, 2013.

Medium-term Management Plan FY2015 Targets

▶ P32: FamilyMart's Growth Strategy

Stores in Japan and Overseas

25,000

Ordinary Income

¥60.0 billion

Overseas Earnings Contribution (ratio to net income)

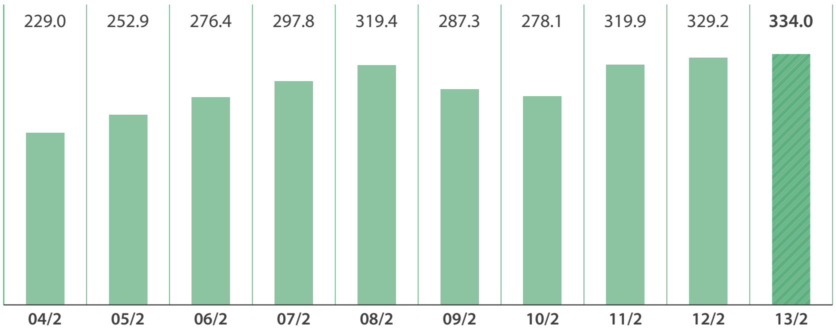
Approx. 20%

Performance Highlights

Financial Highlights (consolidated)

Total Operating Revenues

(¥ billion)

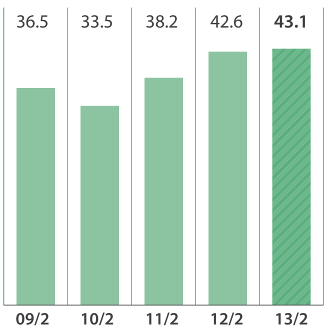


Note: Operating revenues from the fiscal year ended February 2009 declined as a result of a change in the method of revenue recognition for consolidated subsidiary famima.com Co., Ltd. from a gross basis to a net basis.

Total operating revenues are on an upward trend as a result of efforts to expand the store network in Japan and overseas and clientele expansion centered on older people and housewives after the Great East Japan Earthquake.

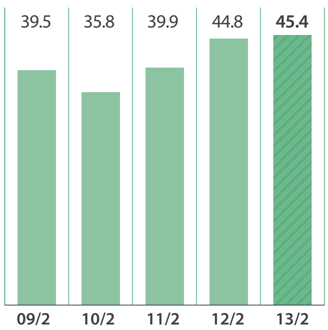
Operating Income

(¥ billion)



Ordinary Income

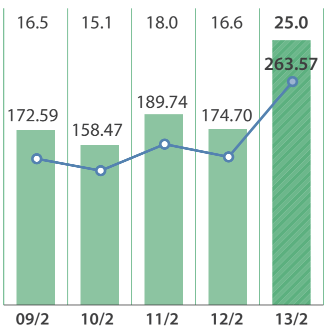
(¥ billion)



Both operating income and ordinary income increased due to higher total operating revenues and successful profit structural reforms.

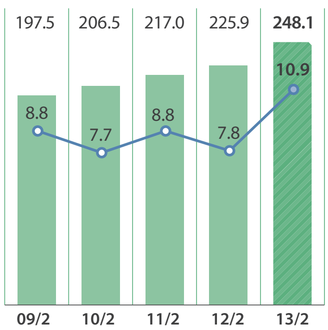
Net Income / EPS

Net Income (¥ billion) EPS (¥)



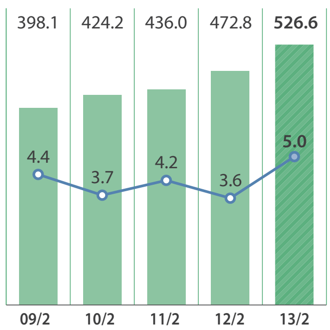
Total Equity / ROE

Total Equity (¥ billion) ROE (%)



Total Assets / ROA

Total Assets (¥ billion) ROA (%)

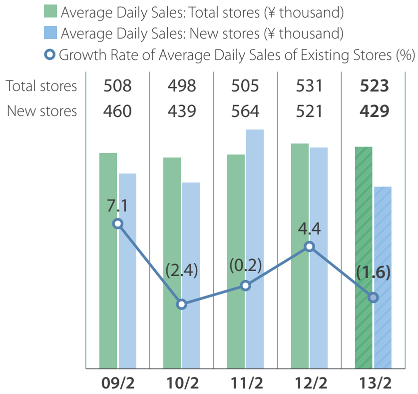


Business Performance (non-consolidated)

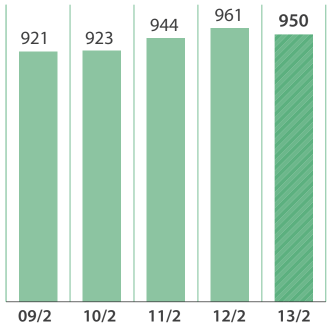
▶ P.76: Fact Sheets

* The figures below do not reflect the performance results of TOMONY stores and am/pm stores before brand conversion.

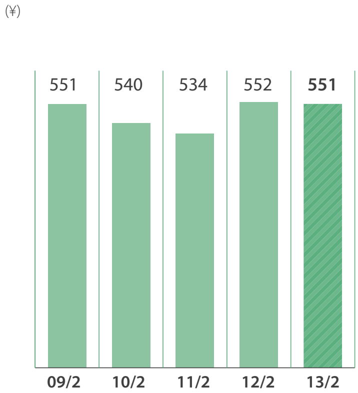
Average Daily Sales* / Growth Rate of Average Daily Sales of Existing Stores (%)*



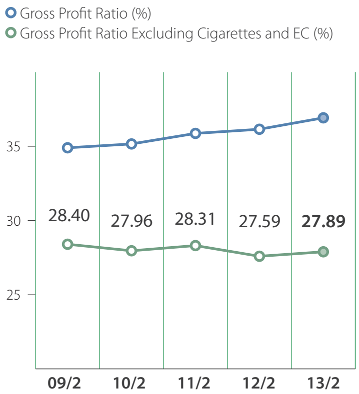
Number of Customers* (total stores)



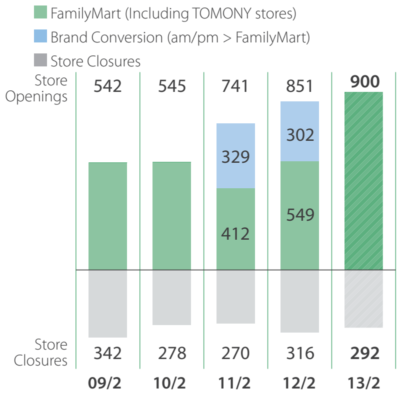
Spend per Customer* (total stores)



Gross Profit Ratio*

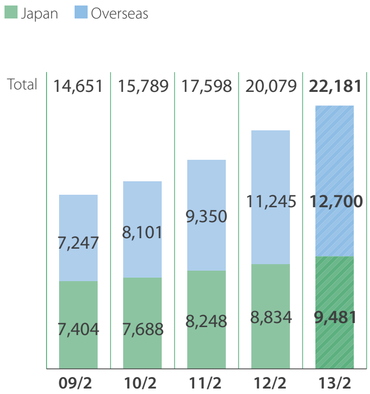


Store Openings and Store Closures



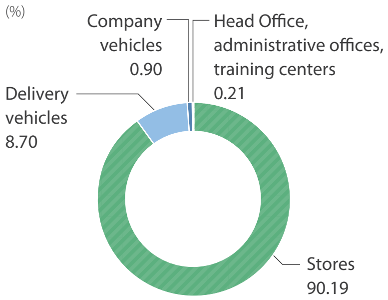
Number of Total Chain Stores

(including area franchised stores in Japan and overseas)



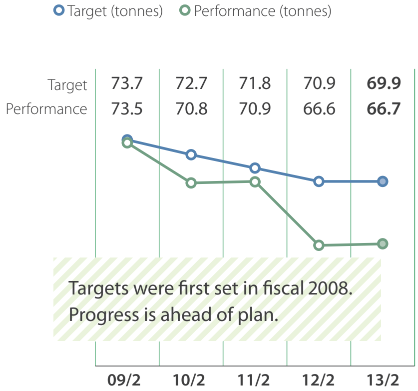
Environment-Related Data (non-consolidated)

Environment-Related Data (non-consolidated)



Our stores account for over 90% of our CO_2 emission volumes.

Cutting CO_2 Emissions: Targets and Actual Performance



Targets were first set in fiscal 2008. Progress is ahead of plan.

Food Recycling Rate

We have reached the target recycling rate of 45% set by the Japanese food-retailing industry (including resource saving).

A Message from the Chairman

FamilyMart to Make Further Great Strides under Its New Administration

Looking Back on My Time as President

On January 1, 2013, Isamu Nakayama was appointed as FamilyMart's president and I became chairman of the board.

Looking back, when I became president in 2002, the convenience-store industry was approaching a critical period as it was experiencing a slowdown in its ongoing growth. In a severe operating climate, where there was talk of an end to the convenience store growth miracle, it became my appointed task to institute a raft of wide-ranging structural reforms to ensure FamilyMart remained competitive in the 21st century. Apart from implementing reforms targeting the Company's organization, management systems, costs, business processes, and employee awareness, in 2005 I launched the "FamilyMart Feel" campaign and focused on raising the chain's brand marketability.

It was 11 years during which I was often reminded of the depth and complexity of the retail business, but thanks to all of your support FamilyMart showed steady growth. Today, our Japan and overseas store network spans nine countries and areas, including Japan*, with more than 22,000 stores in total, surpassing the target I set when I came to office of a global network of 20,000 stores. Also, after merging with am/pm Japan Co., Ltd., in 2010, we managed to integrate our brands in just two years. I will remember vividly this successful accomplishment of a unified brand after M&A at a scale I had been told was impossible by people in the industry.

*As of June 2013

Total Support for the New President

There are now more than 50,000 convenience stores in Japan and competition for the remaining limited number of prime locations is expected to become even fiercer. To remain competitive over the next 10 years and to achieve continued growth, in fiscal 2013 we will open a record number of stores in Japan to solidify our position within the domestic convenience-store industry. At the same time, we will position expansion of our business concept for becoming a social and lifestyle infrastructure provider as a key growth strategy. Furthermore, we will bolster profitability through continued aggressive store openings centered on Asia.

Faced with this state of affairs, Isamu Nakayama became FamilyMart's new president on January 1, 2013. I will provide total support for the Nakayama system as we work toward achieving the goals of our medium-term management plan–of 25,000 stores worldwide and consolidated ordinary income of ¥60 billion by fiscal 2015–and further great strides for FamilyMart in the longer term.

In closing, I would like to thank you all for your backing and guidance during my period as president and express my hopes for your continued support for FamilyMart in the future.

June 2013

J. Ueda

Junji Ueda
Chairman and Chief Executive Officer

A Message from the President

Isamu Nakayama
President

Profile of Isamu Nakayama, President

Born in Tokyo in 1957.
Graduated from the Faculty of Agriculture, Tokyo University.
Joined Itochu Corporation in 1981.
Worked for many years in the Food Division, supporting FamilyMart's Asian expansion by introducing and negotiating with business partners.
Appointed President of FamilyMart on January 1, 2013.

Motto	Life is like a long journey with a heavy burden. Let your step be slow and steady. (Tokugawa Ieyasu, founder of the Tokugawa shogunate)

Fiscal 2013: A Year of Challenge That Will Decide the Next 10 Years Accelerating Our Aggressive Approach and Aiming to Become World No. 1 as a Japanese Convenience Store

My name is Isamu Nakayama. I was appointed president on January 1, 2013. As the convenience-store industry reaches a new phase of competitiveness, I feel a sense of deep responsibility; at the same time, I am greatly looking forward to tackling the challenges that lie ahead. I will make every effort to ensure that FamilyMart achieves the major targets it has set, and I would like to ask all our stakeholders for their continued support.

Record-High Revenues and Income on Both Consolidated and Non-Consolidated Basis in Fiscal 2012

In fiscal 2012, FamilyMart opened a record-high 900 conventional stores* in Japan, including 12 TOMONY stores, more than our original target of 800. We worked to build a high-quality network through the opening of stores with high growth potential in Japan's three major metropolitan areas of Tokyo, Osaka, and Nagoya and leading provincial cities and through the appropriate application of a scrap-and-build policy. We also accelerated openings in off-street locations within existing facilities, such as in railway stations, hospitals, and expressway parking and service areas. At the same time, as well as launching operations in Chengdu, China, and in Indonesia, we aggressively opened stores in existing overseas markets. At the end of fiscal 2012, FamilyMart had a total of 22,181 stores worldwide.

In products, our new original items, GELATO ice cream and "FAMIMA PREMIUM CHICKEN," which provide unexpected value at a reasonable price and a sense of luxury, posted sales that significantly exceeded expectations and have become key items in our product lineup. We also invested in our high-quality and affordable private brand, "FamilyMart collection," which attracted increased numbers of older customers and housewives to stores. Furthermore, as we introduced our *Ajiwai* Famima Café counter coffee into more stores, customers made more simultaneous purchases, boosting average spending per customer.

Although poor cigarette sales contributed to lower average daily sales growth in existing stores, thorough profit structural reform led to record revenues and income on both a consolidated and non-consolidated basis in fiscal 2012.

* Conventional stores: Stores newly opened by FamilyMart Co., Ltd. (non-consolidated)

Consolidated earnings performance

(¥ million)

	13/2	12/2	YoY change
Total operating revenues	334,087	329,218	1.5%
Operating income	43,108	42,586	1.2%
Ordinary income	45,410	44,810	1.3%
Net income	25,020	16,584	50.9%

Meeting Society's Needs while Advancing Our Medium-Term Management Plan

In recent years, accompanying such demographic and social changes as the falling birthrate and a rising number of elderly, as well as an increase in the number of single-person households, convenience stores' customer base has been expanding. In particular, since the Great East Japan Earthquake, there has been a major shift in our clientele, with older customers and housewives, who had previously not been regular customers, now making repeated visits to our stores.

Additionally, the convenience store is no longer simply a place for making purchases, and we have enhanced our various convenient customer services by handling the payment of utility bills, hosting ATMs, and issuing tickets. Further, in case of disaster, stores also fulfill safety and security functions by providing food and drinks. In other words, the convenience store has become an essential part of local communities.

As a result of the above, the value of the convenience store has been reassessed with new demands placed on stores to provide value beyond their traditional bounds, and they are now an indispensable part of the social and lifestyle infrastructure.

There have long been vocal claims that the convenience-store industry is saturated. However, of total sales of ¥137 trillion in Japan's retail sector, convenience stores only account for ¥9.5 trillion. By continuing to change to meet society's needs, I believe it is possible to increase this share further.

Overseas, since opening our first store in Taiwan in 1988, we have continued to steadily increase the number of FamilyMart stores, particularly in Asia, and today FamilyMart is the second-largest convenience-store chain in the world. As a Japanese company, FamilyMart faces no obstacles to opening stores overseas, and this has been an important factor in making possible its aggressive overseas expansion. Countries in Asia, and emerging markets in particular, will drive future demand and undoubtedly achieve continued powerful economic growth. In these countries, with a young average age and where retail is modernizing, convenience-store chains can expect to enjoy considerable growth.

FamilyMart's medium-term management plan sets targets of 25,000 stores worldwide and consolidated ordinary income of ¥60 billion by fiscal 2015. By becoming the leading company in the Japanese convenience-store industry in terms of quality and by extending that quality throughout our operations overseas, we aim to become the No. 1 convenience-store chain in Asia. Beyond that, we will continue to push forward together in unison, targeting a position as the world's No. 1.

P.30: The Operating Environment Facing FamilyMart

P.32: FamilyMart's Growth Strategy

Our Vision for FamilyMart

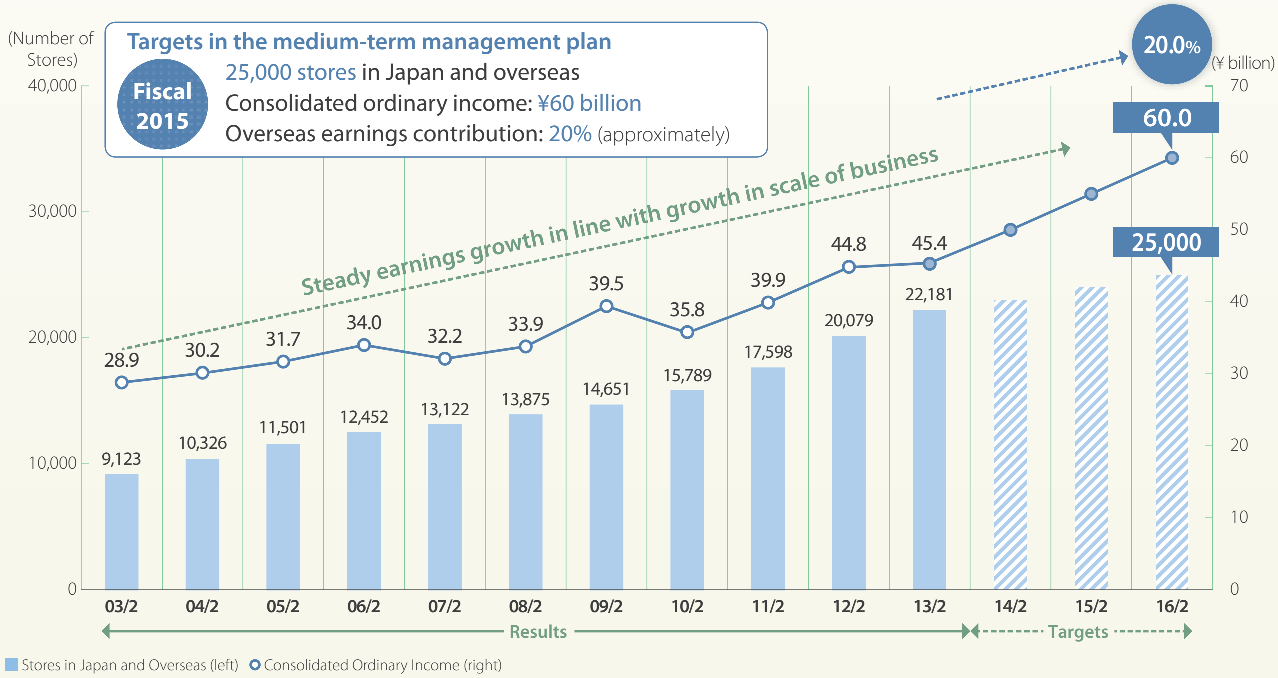
Becoming No. 1 in Asia as a Japanese Convenience Store Then, Aiming to be World No. 1!

Convenience-store operations in Japan	Sustain growth at existing stores (create scope for raising average daily sales) Create a high-quality network (expand market share by accelerating pace of store openings) Improve profitability (quickly achieve gross profit ratio of 30%)

Convenience-store operations overseas	Taiwan, South Korea, Thailand	Increase market share and profitability
	China	Priority market: Accelerate pace of store openings
	United States, Vietnam	Create business model enabling early localization
	Indonesia, the Philippines, etc.	Explore entry into potential new markets

Convenience-store affiliated businesses / M&A	Aggressively develop peripheral businesses as a social and lifestyle infrastructure provider Online shopping, food production, T Card, meal deliveries to the elderly, and other businesses

Medium-term growth



Opening a Record 1,500 New Stores in Fiscal 2013

In fiscal 2012, the number of convenience stores in Japan exceeded 50,000, and competition for the remaining locations is expected to intensify amid greater scrap-and-build activity between chains. In this fiercely competitive environment, companies with a defensive attitude will be forced out of the market. For this reason, it is necessary to take control of the market ahead of competitors.

With this in mind, seeing fiscal 2013 as a year of challenge that will decide the next 10 years, we will accelerate aggressive store openings, targeting a record 1,500 conventional stores in Japan. To achieve this, we will reassess changing existing markets, secure remaining prime locations, and leverage our proprietary multiple-store management system to retain excellent franchise owners. Our alliance agreements with 12 railway companies in Japan mean we have a leading share of stores serving railway stations. To expand our share further, in March 2013 we reached agreement with Kintetsu Corporation to convert their in-station stores into FamilyMart stores. In addition, we are bolstering partnerships with other retail formats, concluding franchise contracts with Higuchi Sangyo Co., Ltd., and five other drugstore companies, and are aggressively opening drugstores integrated with convenience stores as well as stores in a new format that augments dispensing pharmacies with convenience-store products and services.

Bolstered Product Lines

As the chain continues to grow, we are working to bolster product lines to expand our clientele and enhance our role as a convenience store.

The "FamilyMart collection" is a key part of these efforts. The collection comprises two lines: the Regular line of high-quality, daily-use items at reasonable prices and the Platinum line of items that offer exclusive quality and cannot be found elsewhere. In fiscal 2013, we plan to increase the total number of items to more than 500, up from 330 items in fiscal 2012.

We have also prepared infrastructure to support these product lines. We have increased the number of shelves, included wider items in our shelving units, and implemented a "recommended supplementary order system" to prevent shortages of items and quickly cut unpopular products. In these ways, we will make store operations more efficient and increase sales at each store.

Additionally, we intend to position fast food, a long-standing strength, as a priority product category. As well as expanding sales of "FAMIMA PREMIUM CHICKEN," we will introduce counter coffee into every store during fiscal 2013, pulling further ahead of our competitors.

Furthermore, we will comprehensively review our product supply chain, assessing the procurement of materials and production methods and redeveloping our logistics infrastructure. We will also consider investment in producers as a way of strengthening our lines of ready-to-eat products and raising production efficiency. Through the increased profitability that such structural reform will yield, we aim to quickly reach a gross profit ratio of 30%.

P.34: Product Strategy
P.38: Store Opening Strategy in Japan

Providing Excellent Customer Service That Goes One Step Further

Putting down roots in the local community and being able to meet customers face to face is one of the strengths of convenience stores. In order to leverage that strength, we plan to achieve differentiation from our competitors through excellent customer service as well as convenience, friendliness, and fun. Until now, we have paid meticulous attention to the most important aspects of store operations, which are service, quality, and cleanliness (SQ&C); however, by providing excellent customer service that goes one step further, we will increase the quality of our store operations and thereby raise brand marketability Groupwide.

Enhancing Our Functions as a Social and Lifestyle Infrastructure Provider

It is the responsibility of convenience stores to respond to changes in the social structure, and this responsiveness is also a vital strategy in opening up new possibilities and opportunities for growth.

In April 2012, we acquired SENIOR LIFE CREATE Co., Ltd., which runs the Takuhai Cook 123 *bento* delivery service for elderly customers, and in December we entered the delivery business using SENIOR LIFE CREATE's network. As well as providing FamilyMart products to Takuhai Cook 123 customers, we also check customers are well when taking orders and making deliveries. In fiscal 2013, we intend to begin this service in earnest by expanding the delivery area, customer base, and products delivered. In this way, we plan to use our convenience-store business as a base to extend our operations into related areas and provide new value as a social and lifestyle infrastructure provider.

▶ P.37: Store Operation
▶ P.24: A Social and Lifestyle Infrastructure Provider

Building a New Organizational Structure for FamilyMart

In order for all the strategies thus far introduced to be successful, there is a need for quicker decision making and execution within the FamilyMart organization. For that reason, in March 2013 the existing system, where each district's operations and development departments reported directly to the president, was replaced by a system with independent operations and development divisions. This structural reorganization will speed up the execution of policy through rapid communication of decisions throughout the FamilyMart organization. To allow for quicker decisions about store openings, the Store Development Division has been given independence, with a great deal of authority delegated to regional development managers within the division. Meanwhile, the Store Operation Division has been given responsibility to foster excellent customer service and product displays. We have created a structure that allows FamilyMart to move forward. Now, we only have to put that structure into effect.

Expanding Our Operations Overseas with Trusted Partners

By the end of fiscal 2013, we expect to have a total of more than 24,000 stores worldwide.

During the current year, as well as continuing to aggressively open stores centered on Asia, we plan to bolster profitability as part of efforts to raise the percentage of consolidated net income accounted for by overseas sales to 20% by fiscal 2015, a target set in our medium-term management plan.

In fiscal 2012, we reorganized our operations in Thailand, entering into a new partnership with the country's largest retailer, Central Retail Corporation Limited (CRC). We plan to accelerate our expansion in this market through a combination of our know-how and CRC's management resources. In China, as a result of a slowing down of the economy and a focus on profitability, we temporarily decreased the pace of store openings, but we expect our Chinese operations as a whole to turn a profit in fiscal 2014. Also, we launched operations in new regions: in Indonesia in October 2012 and in the Philippines in April 2013. We will continue to expand aggressively overseas while assessing market possibilities.

Spreading Japan FamilyMart's quality to the world is a fundamental policy as we expand overseas. FamilyMart has set entering into a joint venture with a partner company selected for its knowledge and large share of the local market as its basic format for overseas expansion.

Also, through FamilyMart Summit at which senior management from around the world convene, it is possible to discuss issues that go beyond borders and to share values. These activities not only strengthen local ties but also create a feeling of unity within the chain as a whole.

▶ P.20: Aiming to Be the World's No. 1 Convenience-Store Chain

Providing a Better Life—FamilyMart's Social Mission

Considering Japanese operations only, about 10 million customers visit FamilyMart stores every day, with about 100,000 staff working in those stores. From this standpoint alone, I felt profoundly how great an influence the Company has on society when I was appointed president.

It is possible to say that providing people with a better life is our mission as a convenience store, but what a "better life" actually is can have endless interpretations. FamilyMart exists to meet customers' various needs by providing valuable service and working continuously to improve that service. It also has a duty to contribute to society. We are focused on achieving corporate growth through our existing business and expansion into peripheral businesses as a social and lifestyle infrastructure provider while at the same time meeting society's needs.

We will continue such efforts, taking pride that our daily business increases social value.

Nine Straight Years of Dividend Growth

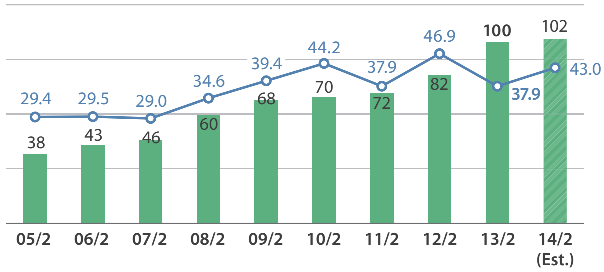
The Company regards the distribution of profits to shareholders, in the form of dividend payments, as a matter of the highest priority.

Since fiscal 2010, management has targeted a payout ratio of about 40% (consolidated basis). The Company's fundamental policy is one of stable, long-term distribution of dividends to shareholders in line with the growth of operations.

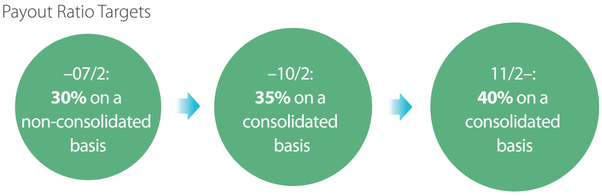
In line with performance during fiscal 2012, we decided to pay an annual dividend of ¥100 (US$1.08) per share, up ¥18 per share, higher than originally planned. In fiscal 2013, we plan a further increase, of ¥2 per share, for an annual dividend payment of ¥102 per share and aim to additionally reward shareholders through earnings per share growth.

Retained earnings will be allocated to strengthening our financial standing, opening new stores, renovating existing stores, and making strategic investments in new business areas as we seek to reinforce management and bring about further improvements in earnings performance. To ensure a flexible capital policy, we plan to retire stock to treasury from time to time as deemed necessary.

Dividend per share and payout ratio



Payout Ratio Targets



And Finally

After becoming president, I met with all of our Japanese franchisees and exchanged opinions. I was deeply impressed by how every franchisee in every area has a passionate approach to store management, working to build better stores for the convenience of local people. I believe that an environment that allows franchisees to meet with the president and speak directly and frankly is one of FamilyMart's strengths and points of appeal. In the future too, FamilyMart's franchisees and domestic and overseas partners will come together and make great strides toward our target of becoming the world's No. 1 as a Japanese convenience store.

Please look forward to FamilyMart's accelerated aggressive expansion and the continued future growth that will generate.

June 2013

Isamu Nakayama
President

Aiming to Be the World's No. 1 Convenience-Store Chain

With the opening of its first store in Taiwan in 1988 as the starting point, FamilyMart has continued to aggressively expand its operations overseas, and in 2009 the number of stores overseas overtook the number of stores in Japan. As of the end of fiscal 2012, the Company had 22,181 stores in eight regions around the world, centered on Asia, making FamilyMart the second-largest convenience-store network in the world. We are advancing growth strategies to achieve our medium-term management target of 25,000 stores worldwide by fiscal 2015 and our subsequent target of becoming the world's No. 1 convenience-store chain as a Japanese company. In Strategy Briefing 1, we introduce FamilyMart's overseas expansion with case studies of different locations.

“Application of the Successful Japanese Format Overseas”

FamilyMart has faced no obstacles to expanding its operations overseas because, as a Japanese convenience-store chain, it has been able to freely launch operations in promising locations. This is a major reason for FamilyMart's early overseas expansion compared with other convenience-store operators.

We have built a specific convenience-store business model that incorporates product development and store management expertise as well as logistics and IT systems, and over time we have refined that model to make it more effective and to entrench our position in the Japanese convenience-store industry. This successful business model and expertise garnered from operations in Japan are key strengths when taking our model to the next stage: overseas.

On the other hand, it is said that “retail is a local business,” and accordingly logistics, materials procurement, and other infrastructure and consumer tastes are very different overseas compared with Japan. Our efforts in designing product ranges to match local tastes and flexibly developing ATMs and multimedia terminals to provide new functions for meeting changes in consumer needs have greatly contributed to our expansion into local areas overseas.

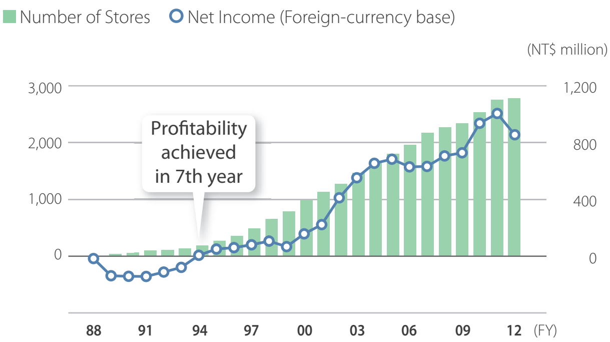
However, while recognizing the importance of localization, the road to acquiring that knowledge and succeeding was not a smooth one. A key moment came with the issues we faced and our experience in overcoming them in Taiwan, the first region into which we expanded.

“Lessons from Taiwan: Optimization through Flexible Adaptation to the Local Area”

We chose Taiwan as the first region in which to expand our operations outside Japan. As a toehold toward future globalization, Taiwan was geographically close and culturally similar and, at the time, was enjoying high economic growth.

We began operations with a store that was the same size and had the same layout and product range as our Japanese stores. However, we soon realized that retail business conditions in Taiwan and Japan were not the same. Business dealings and the logistics infrastructure were very different. At that time, there was no intermediary distribution channel in Taiwan and manufacturers and retailers generally dealt with each other directly, without the kind of logistics infrastructure that existed in Japan. As a result, it was necessary to develop our own logistics infrastructure at our own expense. Also, partially due to inflated set up costs and other expenses, it took seven years to achieve profitability. This experience brought home with some force the fact that “retail is local.” After that, we optimized operations by developing products in line with Taiwan’s lifestyle and food culture, adapting store layouts to local tastes and preparing IT packages to improve systems as part of a localized business model.

Number of stores and earnings at Taiwan FamilyMart

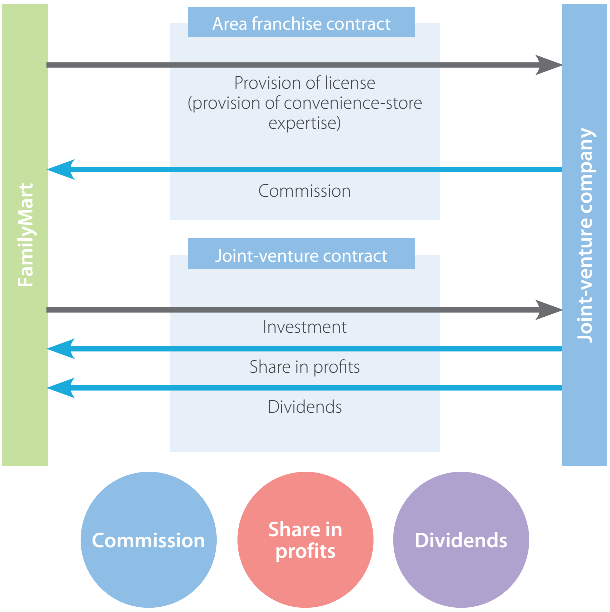


Cooperation with Partners Makes Optimization Possible

To optimize convenience-store operations, it is important to integrate a local company's existing market information and ideas with FamilyMart's acquired expertise, strengths, and values. Because of this, FamilyMart has chosen joint ventures with local partners in which the Company invests and participates in management planning as its basic format for overseas expansion. Apart from receiving a share in profits according to the level of its investment, FamilyMart can also expect to receive dividends. Furthermore, it can receive commission as compensation for providing licenses and convenience-store expertise. These three sources combine to create a well-balanced arrangement for generating income.

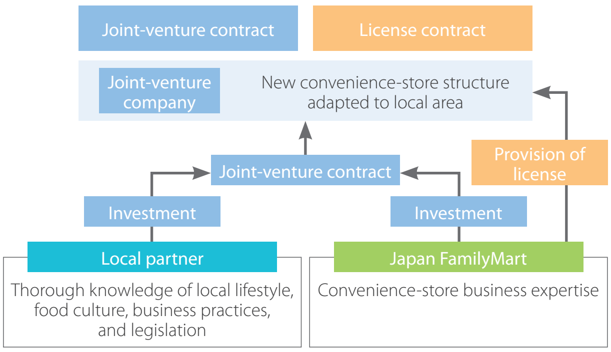
When entering a new market, FamilyMart dispatches experts in products, operations, IT systems, logistics, and other areas to the joint-venture company. The Company provides expertise and support systems to realize stable operations when granting a license but gradually transfers control to the joint-venture company depending on its degree of maturity. At the same time, the local partner works to build a management system that leverages its networks and knowledge about the local lifestyle and food culture. In this way, adaptation of the convenience-store format to the local market through a fusion of each side's know-how and strengths is a major key to successful business.

Basic format for overseas expansion: profit structure



Well-balanced profit structure with three profit sources

Basic format for overseas expansion: joint venture



New Start in Thailand: Selection of a Strong Partner

In September 2012, we entered into a new partnership with Thailand's largest retailer, Central Retail Corporation Limited (CRC), which runs department stores and supermarkets, and reorganized our business operations. We opened the first store in Thailand in 1993, and at the end of February 2013 we had more than 800 stores. In fiscal 2009, we posted a profit for the first time, and since then we have been steadily expanding our operating base. Nonetheless, in planning further expansion of our operations in Thailand, we decided the optimal approach would be to leverage CRC's knowledge of the Thai market, retail know-how regarding local business practices, and business network, and we reorganized our business operations accordingly.

In selecting our overseas business partners, we emphasize a close relationship with local markets and a strong desire to develop the local retail industry in association with FamilyMart. Also, we believe that the ability to work together, based on FamilyMart's principles and business strategies, and to build a relationship of trust through mutual discussion is important to a long-term business association.

Reorganization of business operations in Thailand

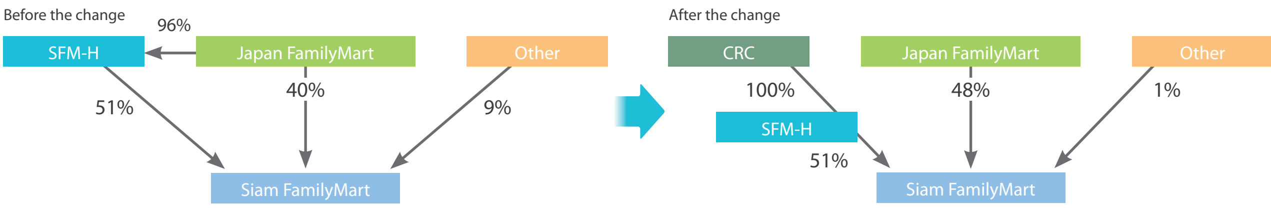
Benefits of reorganization

1. Adaptation to local business practices

Rapid localization is necessary for maximizing profits. Through long retail experience, CRC knows the Thai market intimately.

2. Dealing with legislation

Through CRC's relationships with the Thai authorities, procedures associated with store openings can be more speedily completed



* Siam FamilyMart Co., Ltd., changed its corporate name to Central FamilyMart Co., Ltd., on April 30, 2013.

Feeling of Unity within Global FamilyMart

To further expand operations overseas, mutual trust with partner companies is vital. Since 2003, FamilyMart has held an annual FamilyMart summit at which senior management from overseas operations convene. As well as deciding fundamental policies regarding overseas strategy, senior management communicate under the leadership of Japan FamilyMart, sharing experiences from their operating regions and exchanging opinions to create a feeling of unity within the chain as a whole. The summit is also a venue for discussing food safety measures and environmental and social contribution activities, which has a comprehensive positive impact on global brand marketability. In fiscal 2012, we decided on a shared global FamilyMart slogan, "Welcome to the Family," as part of shared global action guidelines. By sharing the FamilyMart principles and values with overseas partners, a unification of our brand image that goes beyond borders becomes possible, and we aim to have our customers feel a sense of affinity wherever in the world they use FamilyMart. Enhancing brand value and going beyond regional borders to build a trust network are strengths that FamilyMart can realize because it is a Japanese brand.

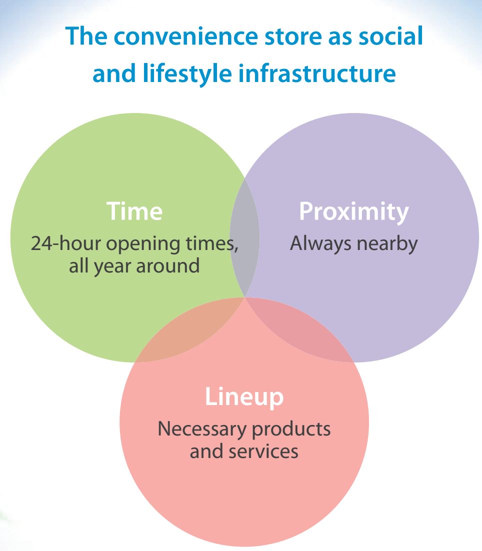
Fiscal 2012 FamilyMart Summit held in Okinawa

Aiming to be the World's No. 1 Convenience-Store Chain

FamilyMart launched operations in Indonesia in October 2012 and in the Philippines in April 2013. Fast-growing, emerging Asian countries are promising markets for convenience stores, with the young demographic, growth in middle-income earners, and strong personal consumption expected to boost operations. By leveraging its abilities acquired from years of experience, FamilyMart aims to be the world's No. 1 convenience-store chain.

A Social and Lifestyle Infrastructure Provider

Amid changes in Japan's social structure, including a declining birth rate, a growing proportion of elderly people, and a rise in the number of single-person households, there is demand for increasingly diverse services from convenience stores. By developing those services as a social and lifestyle infrastructure provider, FamilyMart is working to meet wide-ranging consumer needs. Also, in recent years we have been actively developing new businesses through flexible changes to our usual business and retail formats. In this briefing we introduce how we have been providing value as a social and lifestyle infrastructure provider.



"Adding Value through Social and Lifestyle Infrastructure"

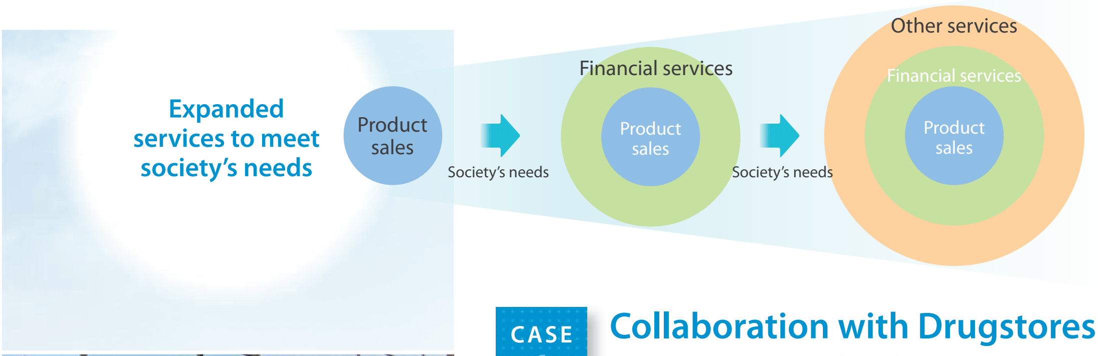
Japan's population is aging and about 25% of the population is at least 65 years old. With growing proportions of single-person and double-income households, there is ever-greater variety in people's lifestyles. Increasing numbers of consumers are unable to put the time and effort into shopping and cooking and, as a consequence, are looking to buy just the products they need, in the amounts they need, at a nearby store. In line with these trends, the range of clientele who use convenience stores is expanding. In particular, after the Great East Japan Earthquake in March 2011, older customers, housewives, and single women began to use convenience stores more frequently because of a renewed appreciation of their strengths: proximity, 24-hour opening times, all year around, and diverse offerings, from necessary products to services. In fiscal 2012, 30% of FamilyMart customers were aged 50 or over, a 5-percentage-point increase compared with fiscal 2010. Over the same period, the proportion of female customers increased to 45%. The convenience store is already indispensable to people's lives, and there is growing demand for the further provision of social and lifestyle infrastructure.

Going Beyond the Traditional Boundaries of Convenience Stores

FamilyMart has always worked to understand changing customer needs and enhance its products and services to make them more convenient. We have improved our offerings of products by matching our product lines to the varying needs of different areas. We have also expanded our financial and other services by providing ATMs, various agency payment services, and ticketing services through multimedia terminals, thereby making it possible for customers to complete daily life tasks at a nearby store.

Furthermore, in response to increased expectations for convenience stores to be a social and lifestyle infrastructure provider, FamilyMart has set aggressive development of peripheral businesses that go beyond the traditional boundaries of convenience stores as one of the key policies of its medium-term management plan through fiscal 2015.

In the following section, we would like to introduce a few of the new activities and services we have launched in accordance with our medium-term management plan.



CASE 1 Collaboration with Drugstores and Pharmacies

In May 2012, we opened FamilyMart + Kusuri Higuchi in Awajicho, Chiyoda Ward, Tokyo, a store based on a new business format developed in association with Higuchi Sangyo Co., Ltd., which owns the Kusuri Higuchi drugstore chain. In this integrated store, managed by Higuchi Sangyo through a FamilyMart franchise contract, registered sales clerks are continuously present to provide 24-hour sales of non-prescription drugs.

Contracts with drugstores and dispensing pharmacies

(As of the end of May 2013)

6 drugstore companies

- Higuchi Sangyo Co., Ltd.
- KOMEYA CO., LTD.
- MIYAMOTO DRUG Co., Ltd
- Ohga Pharmacy Co., Ltd.
- FK Co., Inc.
- COSCO

2 dispensing pharmacy companies

- MEDICAL SYSTEM NETWORK Co., Ltd
- Pharmarise Holdings Corporation

To respond to greater health awareness, as the population ages and single-person households and working women increase in number, FamilyMart is striving to open more "life solution stores." These stores integrate the specialist knowledge, counseling skills, daily goods, health food product lines, and store design know-how of drugstores with the ease of use and product offerings of convenience stores.

In May 2013, we reached agreement with two dispensing pharmacy companies to open stores in the new format. We intend to accelerate the opening of stores that combine the expertise of dispensing pharmacies with the strengths of convenience stores to offer even more convenient services nearer to customers.

CASE 2 Entry into Delivery Business

In April 2012, FamilyMart acquired SENIOR LIFE CREATE Co., Ltd., which runs Takuhai Cook 123, a *bento* delivery service for the elderly. In December 2012, we launched a delivery service for pre-ordered FamilyMart products as well as *bento* in parts of the Takuhai Cook 123 delivery area, thereby making our full-fledged entry into the delivery business.

Pre-ordered products are packed together with *bento* at FamilyMart stores and delivered

In addition to delivering carefully selected FamilyMart products, we are seeking to establish an identity as a delivery service provider that values communication with customers through such activities as checking that they are well when taking orders and making deliveries.

Through this collaboration, SENIOR LIFE CREATE expects to increase business opportunities from an expanded range of products, while FamilyMart plans to strengthen its customer base through delivery channels at SENIOR LIFE CREATE's more than 300 franchises in Japan. Both companies will work to realize increased profits by effectively leveraging their shared operating resources.

CASE 3 Mobile Sales Vehicles

In September 2011, we launched our *Famima-go* mobile sales vehicles, a new sales format to support customers in areas where shopping is inconvenient. Mobile sales vehicles are trucks that have been converted into small stores and that can travel to customers who, for various reasons, would find going to a store difficult. We initiated the service in Miyagi, Fukushima, and Iwate prefectures, which suffered the devastating effects of the Great East Japan Earthquake, with our first vehicle catering to residents of Kesennuma, Miyagi Prefecture. We have since expanded to such areas as Nagasaki and Gunma prefectures, with a total of eight mobile sales vehicles in operation as of February 2013.

As Japan's population continues to age, it will become more important to provide services to areas where it is difficult to reach a store. FamilyMart will work with local authorities to help solve the problems of inconvenient and troublesome shopping through the introduction of mobile sales vehicles that meet the needs of specific areas and customers.

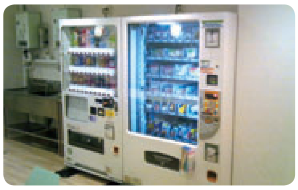
Inside a sales vehicle

Famima-go mobile sales vehicle

CASE 4 Automatic Super Delice (ASD) Vending Machines

Our Automatic Super Delice vending machines are being set up in office buildings, factories, and hotels where there is demand for light food and drink but not enough room to locate a store. The machines can be installed even where space is tight, and, as of February 2013, we had more than 1,000 machines in 630 locations in Japan, offering the convenience of access to products 24 hours a day, 365 days a year.

There are about 50 FamilyMart items on offer in each machine, matching the area and customers and providing a readily accessible supply of food and drink in case of disaster. We intend to continue to expand our presence in the small-scale retail market, with a target of 3,000 machines in 1,500 locations by the end of fiscal 2015.



Product lineup to match the needs of the location

"Becoming a True Social and Lifestyle Infrastructure Provider"

FamilyMart's mission and social significance is to continue providing higher-quality service that meets the needs of the day, paying close attention to social changes. FamilyMart also believes that providing value to society and ceaselessly improving its services will translate into enhanced corporate value. We aim to become a true social and lifestyle infrastructure provider, playing an integral role in society while working to raise profitability.

FamilyMart's Growth Story

Global Presence and Market Position

Global Presence

Since opening its first store in Taiwan in 1988, FamilyMart has aggressively expanded internationally, mainly in Asia. In 2009, the number of stores in other countries overtook the number of stores in Japan, and, there were more than 22,000 stores in eight areas around the world. We launched operations in the Philippines in April 2013, and in Shenzhen, China, in June 2013.

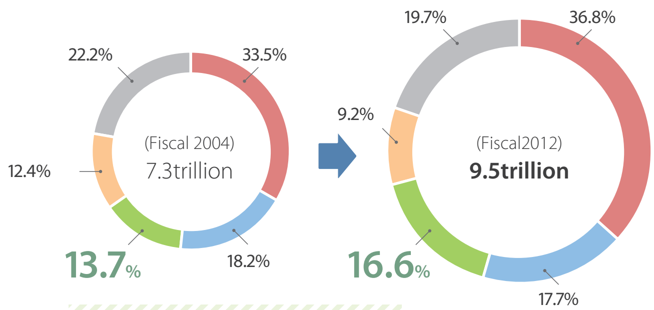
(Number of stores as of February 28, 2013)

Market Position

No. 3 in Japan

We are one of the big 3 convenience-store chains in Japan.

Industry sales share (non-consolidated)



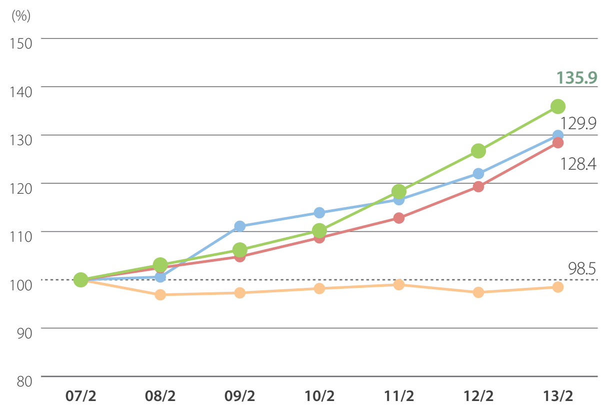
Market share of the top three chains rose from 65.4% to 71.7%

FamilyMart · Seven-Eleven Japan · LAWSON · Circle K Sunkus · Others

Aggressively expanding amid fierce competition

While some other chains are slowing down expansion, we are strategically opening new stores, accelerating the overall increase in the number of our stores, and working toward expanding our market share.

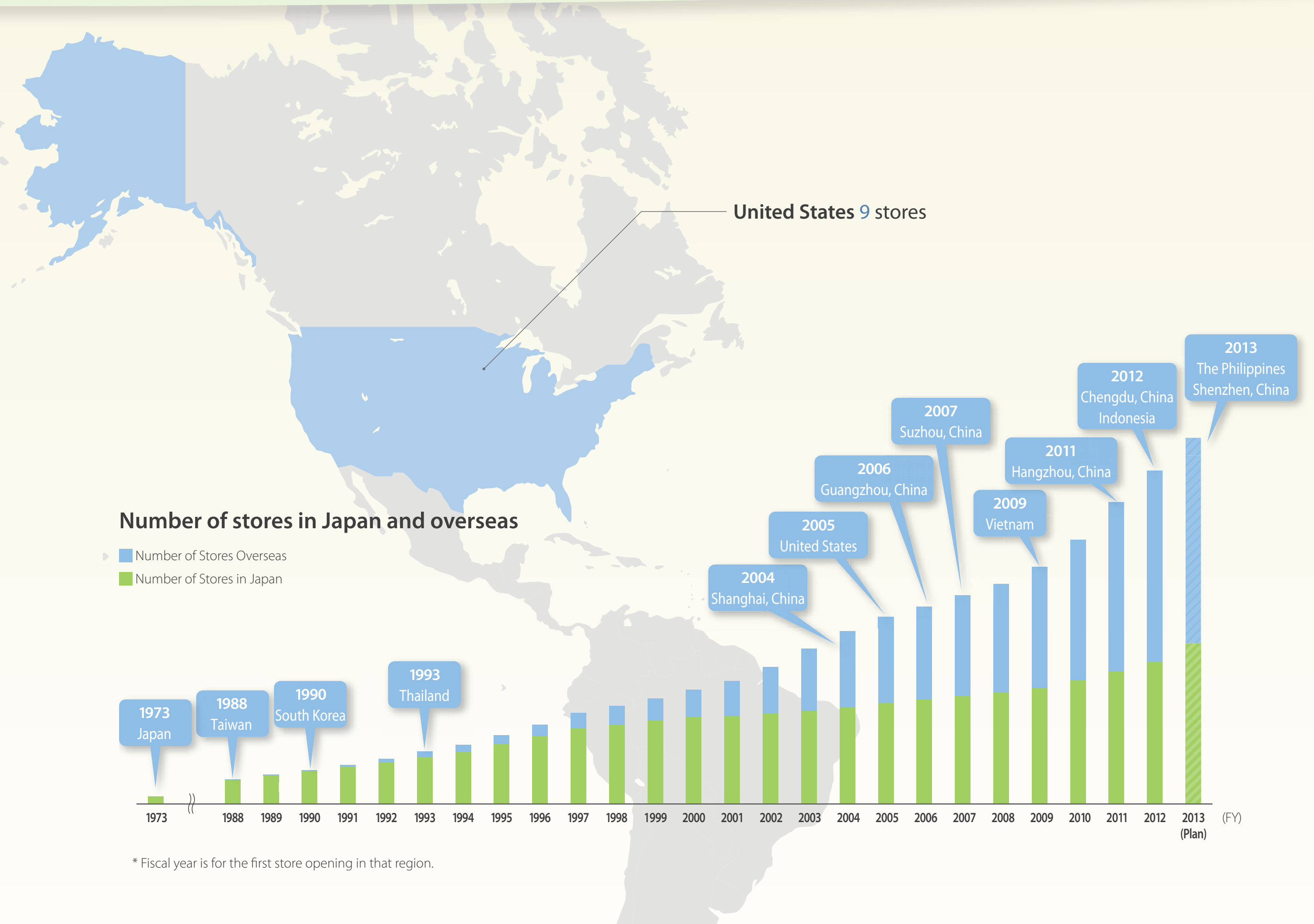
Net increase in number of stores by chain (only in Japan, includes stores under area franchiser)



FamilyMart · Seven-Eleven Japan · LAWSON · Circle K Sunkus

* Number of stores as of February 28, 2007 set as 100

Number of stores in Japan and overseas

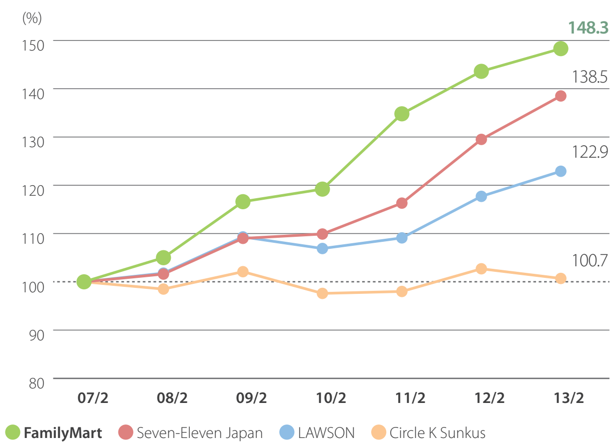


* Fiscal year is for the first store opening in that region.

Steadily increasing sales

Among the main convenience-store chains, FamilyMart continues to show top-level sales growth despite stagnation in domestic consumption.

Sales growth rate for all stores (non-consolidated)



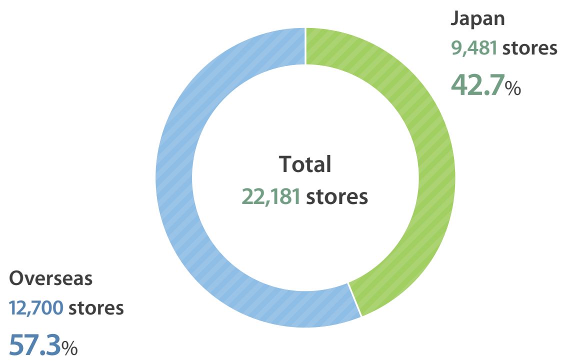
* Total net sales of fiscal 2006 set as 100

Aggressively expanding internationally

The number of stores outside Japan continues to steadily increase, mainly in Asia where future economic growth is expected.

Stores in Japan and Overseas

(As of February 28, 2013)



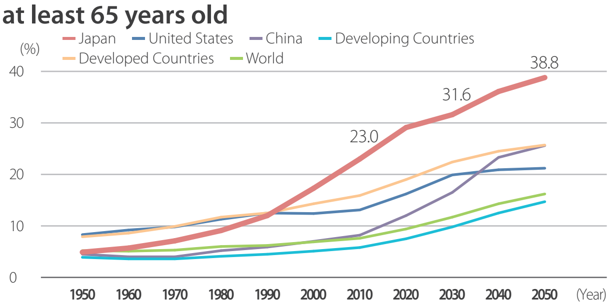
Operating Environment Facing FamilyMart

Changes in the Social Structure

Aging population

Forecasts show that one in three people in Japan will be at least 65 years old by 2030. We are approaching the so-called super-aging society, something no other country has experienced.

Change in the proportion of the population at least 65 years old

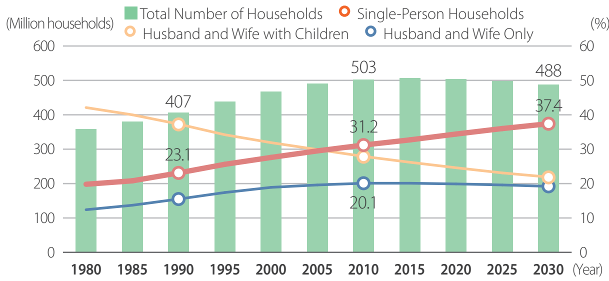


Source: Change in the Age Composition of the World Population, Statistics Bureau, Ministry of Internal Affairs and Communications

Increase in single-person households

The number of single-person households has increased as the percentage of unmarried people rises and lifespans lengthen. In 2010, this category grew to 31.2% of all households. Also 20.1% of all households consist of husband and wife only.

Changes in numbers of different kinds of households



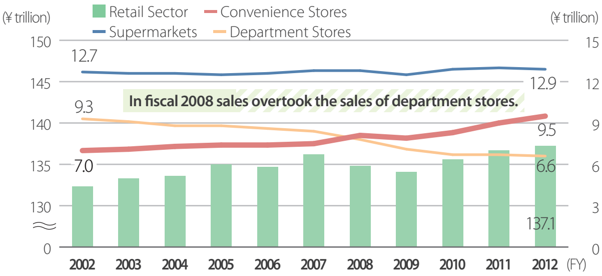
Source: National Institute of Population and Social Security Research

Retail Sector in Japan

Disparities in growth potential among different retail categories

While the scale of the market for the overall retail sector in Japan has remained stagnant, the convenience-store market has expanded from approximately ¥7.0 trillion in fiscal 2002 to approximately ¥9.5 trillion in fiscal 2012. This shows that a clear difference in the growth potential among different categories of retailing has emerged.

Size of entire retail sector, and the markets for each business category

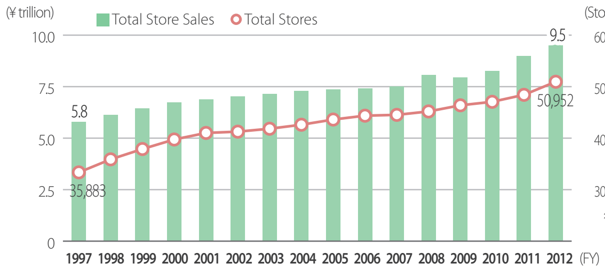


Source: Retail Statistical Yearbook, Ministry of Economy, Trade and Industry

Growing appreciation of convenience stores

Following the Great East Japan Earthquake, there has been a renewed appreciation of convenience stores' strengths, namely, their opening hours, proximity, and product range. As a result, there has been a noticeable increase in the number of customers and an expansion in the range of clientele.

Change in size of the convenience-store market



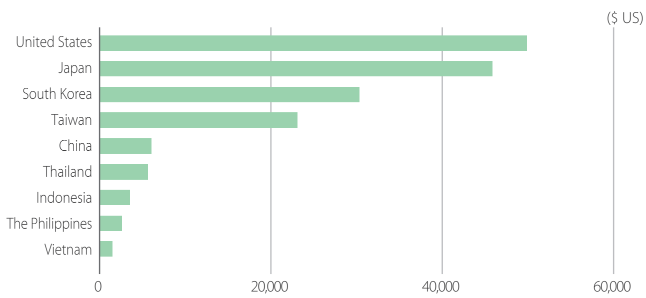
Source: Retail Statistical Yearbook, Ministry of Economy, Trade and Industry for store sales; Convenience Store Sokuho, Ryutsu Sangyo Shinbunsha for number of stores

Business Environment outside Japan

At the same time as increasing the pace of expansion within Japan, convenience-store companies are seeking new opportunities in the emerging markets of Asia. These markets are extremely promising as rapid economic growth is expected and there is strong personal consumption, and a young demographic.

Source: JETRO reports for individual countries and regions (2012)
CIA World Factbook (2012)

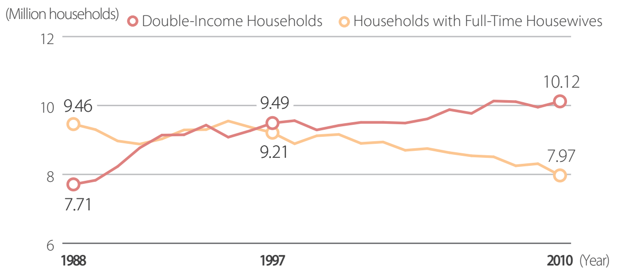
Nominal GDP per capita in FamilyMart's market



Increase in double-income households

Due to changes in the attitudes of working women and changes in economic conditions in Japan, an increasing number of women are continuing to work after getting married and having children. Since 1997, there have been more double-income households than households with full-time housewives and the labor force participation rate for women in their 30s is nearly 70%.

Increase in double-income households

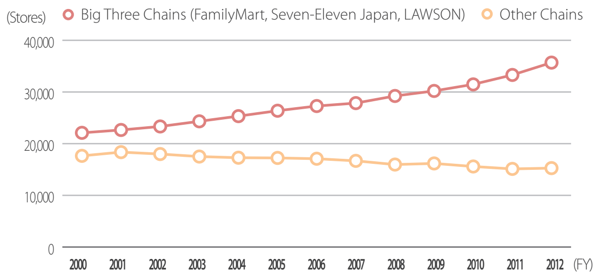


Sources: The figures until and including 2001 are compiled from the Special Survey of the Labour Force Survey, Ministry of Internal Affairs and Communications and the figures for 2002 onwards are compiled from the Labour Force Survey (Detailed Tabulation), Ministry of Internal Affairs and Communications

Further dominance of market by leading chains

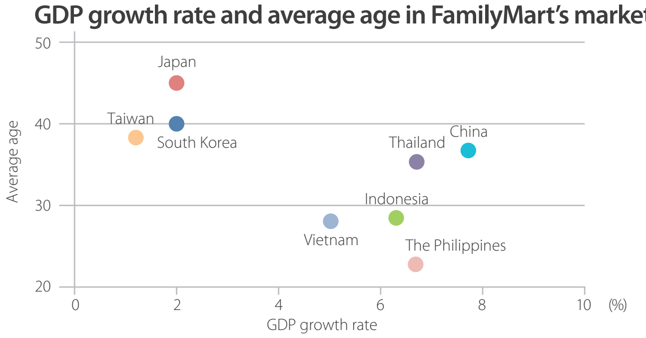
In fiscal 2012, the number of convenience stores in Japan exceeded 50,000 as the leading chains accelerated the pace of new openings in order to acquire the remaining prime locations.

Change in the number of stores for big three chains and other chains



Source: Convenience Store Sokuho, Ryutsu Sangyo Shinbunsha

GDP growth rate and average age in FamilyMart's market



Opportunities and Challenges for FamilyMart

Changes in Eating Habits and Consumer Behavior

Attracting New Customers, Including Older and Female Customers

- Analyzing latent demand
- Developing and providing a range of products suitable for different kinds of clientele
- Creating stock displays that attract different kinds of clientele

Opportunities and Challenges for FamilyMart

How to Be the Store People Choose to Use

Developing Attractive, Profitable Stores and Speeding Up Expansion

- Speeding up expansion by acquiring prime locations and franchisees
- Meeting local needs with high-quality stores
- Increasing profitability by making operations more efficient

Opportunities and Challenges for FamilyMart

Overseas Operations as the Key to Major Progress

Strengthening Our Global Presence and Contributing to Consolidated Revenue

- Finding the best way to collaborate with local partners
- Developing products and stores to meet local needs
- Choosing new areas to expand to carefully, but in a forward-looking manner

FamilyMart's Growth Strategy

Medium-Term Management Plan

FamilyMart's medium-term management plan sets targets of 25,000 stores worldwide, consolidated ordinary income of ¥60 billion, and an overseas earnings contribution of 20% by fiscal 2015. Through an understanding of society's changing needs and the role the convenience store is expected to play, we will become the leading company in the Japanese convenience-store industry in terms of quality. By extending that quality throughout our operations overseas, we aim to become the No. 1 convenience-store chain in Asia and, then, the world's No. 1.

Our Vision for FamilyMart

Becoming No. 1 in Asia as a Japanese Convenience Store
Then, Aiming to be World No. 1!

Convenience-store operations in Japan	**Sustain growth at existing stores** (create scope for raising average daily sales) **Create a high-quality network** (expand market share by accelerating pace of store openings) **Improve profitability** (quickly achieve gross profit ratio of 30%)
Convenience-store operations overseas	**Taiwan, South Korea, Thailand** Increase market share and profitability **China** Priority market: Accelerate pace of store openings **United States, Vietnam** Create business model enabling early localization **Indonesia, the Philippines, etc.** Explore entry into potential new markets
Convenience-store affiliated businesses / M&A	**Aggressively develop peripheral businesses as a social and lifestyle infrastructure provider** ● Online shopping, food production, T Card, meal deliveries to the elderly and other businesses

The "FamilyMart Feel" Campaign

Furthering of Principle-Based Branding

In today's highly competitive convenience-store business, we want to be the store that people continue to choose to use. The "FamilyMart Feel" campaign is a promotion to provide added value that customers cannot enjoy anywhere other than from FamilyMart. We are continually striving to go beyond the basics of efficiency and convenience to give our customers emotional value through warmth and a family atmosphere.

Activities for Fiscal 2013, Based on the Medium-Term Management Plan

Seeing fiscal 2013 as a year of challenge that will decide the next 10 years, FamilyMart is planning aggressive measures, such as opening 1,500 new stores, a record number.

Initiatives Based on the Medium-Term Management Plan

Convenience-store operations in Japan

Convenience-store operations overseas

Convenience-store affiliated businesses / M&A

Unifying Our Thinking

How can we convey the "FamilyMart Feel" to our customers? We have regular "FamilyMart Feel" days where employees, including management, talk about our special values so that every one of our staff can learn to "Listen, Decide, and Act." All of our Japanese franchisees also take part in the same activities. As our employees and employees at franchisees all learn these same values, they can help our customers relax in a friendly and welcoming environment.

Aiming to Become a Distinctive Part of the Social and Lifestyle Infrastructure

Seeing fiscal 2013 as a year of challenge that will decide the next ten years, President Nakayama takes part in workshops and shares ideas with employees. The Company will produce a medium-term vision for the future through cross-functional discussion among all employees and work toward the realization of the goal of becoming a part of the social and lifestyle infrastructure that provides added emotional value.

Product Strategy

Meeting the Diverse Needs of an Expanded Clientele

Products are the greatest differentiating factor for convenience stores, and product development is directly linked to a chain's success or failure to attract customers. To meet customers' diverse needs, FamilyMart is focusing on the development of original, high-value-added products and working to strengthen product ranges and create stock displays that have the products customers want, when they want them, and in the quantities they want.

Three Marketing Strategies

Given the declining birthrate, aging population, and trend toward single-person households, a wider range of clientele are now using convenience stores. To precisely meet diverse customer needs, we are working on product development and our product range from the three perspectives of generation, price, and region.

Identifying new customer needs through generation-based marketing

"Otona" generation between 50 and 65 years old	Largest customer segment (people in their 30s)	Children up to 15 years (junior high school students)
[Principal drivers of consumption in the years ahead]	[Main customers currently]	[Customers of the future]
Focus targets	Forging closer ties	Development targets
• Expand range of products for target group • Propose new dining styles	• Reinforce priority product categories and increase value-added in each category	• Make product lineups more appealing to store visitors • Plan to ensure stores also appeal to parents, grandparents, and other guardians

Improving average spending per customer through marketing based on pricing measures

- Innovate value beyond the price tag
- Take measures to improve average spending per customer

Prospering with the community through region-based marketing

- Ensure product ranges and planning are more firmly rooted in local communities
- Local produce for local consumption, and local produce for consumption elsewhere

Expanding the Number and Range of Customers

Providing High-Quality Products at Lower-Than-Expected Prices

We are expanding our range of delicatessen items for brightening up family tables, as well as daily and fresh foods, to meet the lifestyles of new clientele, such as middle-aged and female customers. We are also developing high-quality products that allow customers to feel a small sense of luxury at lower-than-expected prices and working to expand the range and number of items.

In May 2012, we started selling GELATO ice cream, which maximizes the delicious taste of its ingredients, under our original sweets brand Sweets+. We sold one million units in the first week of sale, five times more than planned, as customers appreciated the high added value of this product line.

New Private Brand "FamilyMart collection"

In October 2012, we launched the new private brand "FamilyMart collection" as a high-quality and affordable product line based on the concept of "trustworthy products we recommend that are convenient and easy to buy." There are two lines: the Regular line of high-quality, daily-use items at reasonable prices and the Platinum line of high-value-added products with higher-grade ingredients and manufacturing processes. At the end of 2012, 330 items had been introduced, consisting of mainly perishables, bread products, and other daily-use items. In fiscal 2013, we will further expand the product range to more than 500 items.

Dealing with Bigger Product Ranges

In fiscal 2013, we plan to expand the number of items sold in our stores, principally through the "FamilyMart collection." Alongside this, we will change the height of our shelving units to add more shelves, creating stock displays that effectively show the full range of our products.

Counter Strategies

Aiming for a Clear Lead

In October 2012, we started selling "FAMIMA PREMIUM CHICKEN." FamilyMart has led the convenience-store market for fried chicken since it started fried chicken sales in 2001. After much preparation, the new product is superior-quality chicken as good as you might find in a specialist store, but not until now in convenience stores. It was a big hit with 8 million pieces sold in the first two weeks. We aim to position our counter selection as being "your nearest specialist store" and enhance our counter products.

Another key product is the *Ajiwai* Famima Café coffee available at the counter. We have been introducing coffee machines into our stores since September 2012, and by the end of fiscal 2013 they will have been introduced into every store in Japan.

The high-pressure extraction espresso machines allow for making cups individually rather than making a pot at a time. We have achieved differentiation by providing options including milk, such as latte, and we intend to cultivate this product as a new driver for our fast food range.

famima.com

famima.com is utilizing its strengths as an online shopping site to roll out a diverse range of products and promotions. Activities include links with store-based products and campaigns, such as the "FamilyMart collection" and "FAMIMA PREMIUM CHICKEN" packages, planning and sales of entertainment tie-up products, and sales of local specialties and alcoholic drinks through cooperation with regional suppliers.

famima.com (http://www.famima.com/)

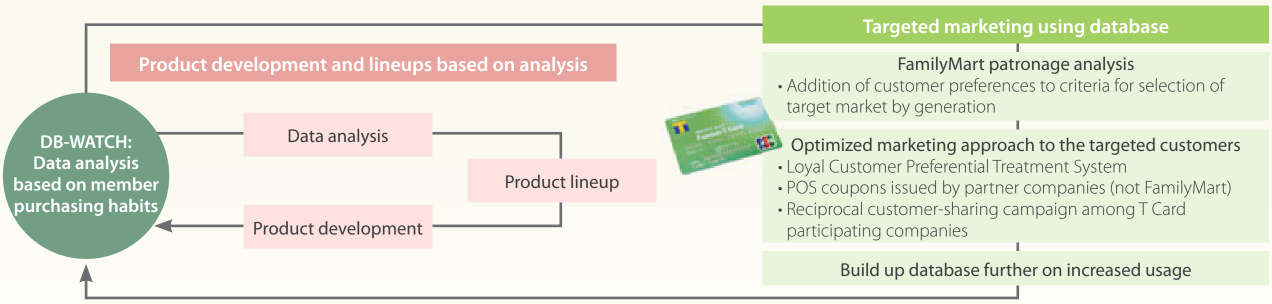
Customer Relationship Management Strategy

Multifaceted Leveraging of IT Data

FamilyMart is part of Japan's largest shared loyalty program, T-POINT. By using this infrastructure, we are strategically leveraging card data to develop and supply products that meet customers' needs and encourage individual customers to make repeat visits and purchases based on their buying habits.

Using Card Data Strategically

In 2007, FamilyMart joined the T-POINT Loyalty Program, Japan's largest shared loyalty program, operated by Culture Convenience Club (CCC) Co., Ltd. When customers present their cards at the time of payment, they can receive T-points based on how much they spent and then use the accumulated points at participating companies. The program covered 97 companies and 52,386 stores, with a membership of 44 million, as of February 28, 2013. Member data and purchasing habits are recorded on the card, and by using this information strategically, we can strengthen ties with customers in many different ways.

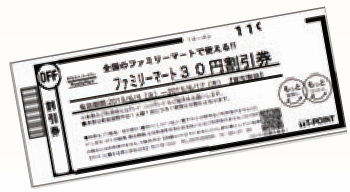


Product Development and Product Ranges

In 2011, we began operating the DB-WATCH database for card-holder purchase data, which allows for the combination of T Card member data with existing POS data. It is possible to conduct many different kinds of analysis, based not only on when and how many products are bought but also on information about the customer and which products are bought together. This enables us to develop products and lineups to meet customer preferences more closely.

Encouraging Repeat Visits and Purchases

We use the Loyal Customer Preferential Treatment System, devised jointly with CCC, allowing individualized targeted marketing linked to members' purchase activity. In this system, the number of points allocated can be pegged to individual memberships and discount entitlements can be printed on receipts. By printing discount entitlements that match customer preferences, based on frequency of visits, amount of money spent, and past items purchased, we encourage customers to return to our stores. As well as working to get customers to use our stores more, we are using the extensive T-point data taken from many different kinds of participating businesses to work toward bringing new customers into our stores. To encourage customers who don't generally use our stores that often to visit, we analyze their preferences and aim to broaden our clientele through the effective provision of coupons.



Store Operation

Human Closeness through Warm and Hospitable Customer Service

While paying thorough attention to the store operation basics of service, quality, and cleanliness (SQ&C), we are aiming to become No. 1 in the industry in terms of store operation quality and to make more customers feel a sense of closeness when they visit our stores. In fiscal 2013, we will place an importance on a sense of human closeness, working to provide top-quality customer service.

Aiming to Be No. 1 through Quality Customer Service and Store Feature Improvements

The most important aspects of store operation are thorough service, quality, and cleanliness (SQ&C). As the clientele expands and competition in the retail industry intensifies, in fiscal 2013 we aim to provide our customers with more value than ever. To be No. 1 in the industry, we are working particularly in the fields of quality customer service and store feature expansion and enhancement.

The basics of store operation (our SQ&C campaign)

S Service

Giving the customer prompt, friendly and caring attention

Q Quality

Ensuring our shelves always stock the products and lineups people want, when they want them

C Cleanliness

Cleaning and sanitation management that reaches every corner

Quality Customer Service

We are improving the worth of each store and the FamilyMart brand by providing quality customer service that goes one step further. Stores will provide the very best welcome and hospitality, as if entertaining an important guest at home.

Store Feature Expansion and Enhancement

We are further expanding product ranges for the benefit of our expanding clientele and as part of a change in the role expected from convenience stores. We have also introduced a "recommended supplementary order system," which automatically calculates the optimum number of units to order based on analysis of individual store needs and past sales combined with such factors as the weather and events. Through increased order accuracy and operation efficiency, store quality will be enhanced.

Improvement in Motivation and Skills of Store Staff

Store employees are a key factor in store operation. At FamilyMart, we are implementing a system for motivating and training staff to become more involved in store management.

Under our Store Staff Total (SST) System, proprietary personnel training system, we cultivate our employees' initiative and sense of responsibility through primary, lower intermediate, intermediate, and advanced level training so that we can continually increase employee skill levels. As well as this, store staff excellence awards recognize accomplished employees and we publicize success stories and heart-warming episodes in individual stores to staff all over Japan. As well as increasing store staff motivation, by sharing the success stories of individual stores we can boost management levels throughout the chain.

Staff Award

Store Opening Strategy in Japan

Staying Competitive in the Intensified Environment of Aggressive Store Openings

As competition with other convenience-store chains to open new stores intensifies, in fiscal 2013 we plan to open 1,500 new stores, a record number. By focusing on the profitability of stores and the quality of the store network, FamilyMart will apply its strengths by opening stores in off-street locations as well as in new and more convenient formats, pursuing every possibility as it continues to aggressively open new stores.

Focusing on a High-Quality Store Network

Increasing the Pace of Openings with Distinct Retail Formats

In fiscal 2012, the number of convenience stores in Japan exceeded 50,000. However, the competition between the major chains to open stores is expected to become even fiercer, with more and more scrap-and-build activity within and between chains. In fiscal 2013, FamilyMart plans to aggressively expand by opening 1,500 new stores, a record number, to secure the remaining prime locations and increase its domestic market share. While strengthening our presence in the three major metropolitan areas of Tokyo, Osaka, and Nagoya, given the ongoing concentration of population in these areas, we will also work to expand our share in leading provincial cities. Further, we will apply various kinds of expertise to actively develop retail formats to meet existing needs, such as stores where building costs can be saved in off-street locations or integrated with drugstores as well as mobile sales vehicles.

Organizational Change to Accelerate Pace of Store Openings

From fiscal 2013, the existing district system will be further subdivided with regional development management departments under the control of the Store Development Division and regional operation management departments under the control of the Store Operation Division. This will strengthen the support network from Head Office. It is also expected to have a practical effect on store openings by delegating power to regional development management departments. In fiscal 2013, store openings are to be considered the most important area of focus for the Company. Under the Store Development Division, we are pursuing increased competitiveness as well as more openings as we focus on building a high-quality store network.

Diversifying Our Retail Formats

Aggressively Opening New Stores in Off-Street Locations

We continue to aggressively open new stores in off-street locations within existing facilities, such as in railway stations, hospitals, expressway parking and service areas, and office buildings. Of these, our overwhelming share of partnerships with railway companies is a notable FamilyMart strength. In fiscal 2013, we will press ahead with further store development using the relatively small spaces within stations.

Agreements with 12 railway organizations (As of February 28, 2013)

Seibu Railway Co., Ltd.	57
Tobu Railway Co., Ltd.	19
The Keisei Electric Railway Co., Ltd.	19
JR Kyushu Railway Company	127
The Sagami Railway Co., Ltd.	11
Nagoya Railroad Co., Ltd.	12
Toei Subway	4
Kintetsu Corporation	6
Metropolitan Intercity Railway Company (Tsukuba Express)	9
Tokyo Tama Intercity Monorail Co., Ltd.	6
Kobe Municipal Subway	12
Osaka Municipal Subway	28
Total	310

Examples of off-street locations

In railway stations


Osaka Municipal Subway


TOMONY

In commercial facilities


TOKYO SKY TREE TOWN®


Osaka station


Office building

Adapted to the needs of the location

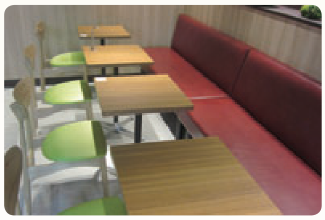

Hospital


University


Expressway parking area

Expansion of Stores with Eat-In Areas

As convenience-store use continues to diversify, from fiscal 2013 we will expand the number of stores with eat-in facilities. By increasing the store size by about 20%, we can install a counter table and chairs by the window where people can eat and drink. Apart from making it possible to consume purchased *bento*, desserts, and fast food items, such as counter coffee, without leaving the premises, we will also install a wireless LAN so that customers can use the Internet. By providing a space where customers can eat and rest, as in a cafe, we aim to diversify our clientele and increase the number of customers.



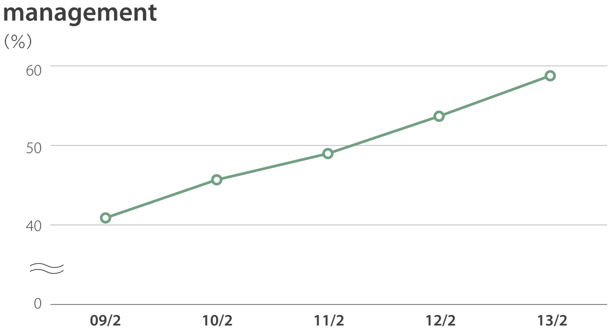
Multiple-Store Management by Owners

In fiscal 2001, FamilyMart became the first convenience-store operator in the sector to introduce an incentive system under which franchisers who operate more than one store are given a fixed percentage of the gross margin of that store (the 1FC multiple-store promotion system). This mechanism was designed to encourage franchisees to take on the management of additional stores.

It was also a means of improving personnel skills at franchised stores and providing total operational support up to the management level. By February 28, 2013, approximately 60% of our store network in Japan was under multiple-store management arrangements.

Multiple-store management not only fosters expansion of local market share, since neighboring stores are under joint management, but also has the advantage of dispersal of management risk and improvement of efficiency for the franchise owner. We will continue to create systems for attracting ambitious store managers, through a wide range of support systems.

Increase in proportion of stores under multiple-store management



Growing Together

The FamilyMart Group's store development operations in certain areas of Japan are handled by our area franchisers. This enables us to tailor store layouts and product lineups to the particular requirements of each region, without compromising speed or quality of service, while expanding our network.

Okinawa — Okinawa FamilyMart Co., Ltd.

Established in 1987

Cheese and Vegetable Taco Rice
The combination of spicy taco meat, lettuce, tomato, and cheese is a popular Okinawan dish. Its attractive colors make the *bento* a favorite with female customers.

Discovering Okinawan needs—Our Okinawa FamilyMart!

This area franchiser, established as a joint venture with the department store and supermarket operator RYUBO CO., LTD., runs the largest convenience-store chain by number of stores in Okinawa Prefecture. The company tailors initiatives closely to its local market. These include product planning and sales contests for local university students as part of practical internships. The company also sponsors *futsal* tournaments for elementary school students. Such activities as the affiliation from fiscal 2013 with Takuhai Cook 123, a *bento* delivery service for elderly customers, are in the spirit of *yui*, an Okinawan tradition of building harmonious personal relationships through mutual assistance. In this spirit, the company aims to put a smile on the face of its customers, franchise owners and employees, and suppliers.

Kagoshima & Miyazaki — Minami Kyushu FamilyMart Co., Ltd.

Established in 1993

Gyujinger Black rice-ball
This rice-ball is filled with JA Kagoshima Prefectural Economic Federation of Agricultural Cooperatives' Kagoshima Black Beef

Strengthening its lead after 20 years in the region

Established as a joint venture with Homboshoten Co., Ltd., a liquor wholesaler in Kagoshima Prefecture, this company is the leading convenience store operator by number of stores in the southern Kyushu region, encompassing the prefectures of Kagoshima and Miyazaki. In April 2013, it celebrated its 20th anniversary, and the company plans to open more stores, leveraging its network and good relationships with local government, local authorities, and local companies to strengthen its lead in the region. It tailors its business activities to the local region by, for example, selling products from mobile sales vehicles (introduced in 2013) and publicizing home-delivery services through a flyer campaign.

Hokkaido — Hokkaido FamilyMart Co., Ltd.

Established in 2006

Hokkaido flour roll cake
A whipped cream cake, using flour and milk from Hokkaido

Opening new stores outside Sapporo

This company, established in a joint venture with Hokkaido's largest foodstuffs wholesaler, Seico Fresh Foods Co., Ltd., operated 58 stores as of the end of February 2013, mainly in and around Sapporo. At the end of fiscal 2012, it opened its first store outside the Sapporo area in Chitose Outlet Mall Rera, in the city of Chitose. In fiscal 2013, it plans to open more stores in off-street locations and outside the Sapporo area. By implementing the "Hokkaido FamilyMart Feel" campaign, and targeting quality customer service, it will also work to create store environments that exceed customer expectations.

Kyushu (Domestic Area Franchiser (Joint-Area Franchiser)) — JR KYUSHU RETAIL, INC.

Signed joint-area franchise agreement in 2010

The FamilyMart store inside Hakata Shinkansen Station is popular with tourists and business travelers.

Building a network of 200 stores

JR KYUSHU RETAIL, INC., which operates convenience-store chains, kiosks, and UNIQLO outlets in Kyushu, operated 127 FamilyMart stores as of the end of February 2013 under a joint-area franchise agreement signed with FamilyMart. The company is aggressively expanding the number of stores in conventional locations as well as in-station stores in this region, and in fiscal 2013, it plans to work further toward establishing a network of 200 stores. Also, by applying thorough service, quality, and cleanliness to existing stores, it aims to create stores that continue to win the support of customers.

Overseas Area Franchisers

Aiming to be World No. 1 as a Japanese Convenience Store

FamilyMart has more overseas stores than any other Japanese convenience-store operator, with 12,700 stores outside Japan, and a total of 22,181 stores worldwide as of February 28, 2013.

Below, we provide an outline of our initiatives at area franchisers throughout our overseas network.

Overview of our markets (2011–2012)

	Population[*1] (millions)	Number of people per convenience store[*2]	Area of country[*1] (km^2)	Nominal GDP per capita[*1] (US$)	GDP growth rate[*1] (%)	Average age[*3]
Japan	127.52	Approx. 2,500	377,955	46,736	2.0	45.8
Taiwan	23.22	Approx. 2,300	36,192	20,328	1.3	38.7
South Korea	50.22	Approx. 2,000	100,033	23,113	2.0	39.7
Thailand	64.08	Approx. 6,200	513,115	5,678	6.5	35.1
China	1,339.72	—	9,600,000	6,076	7.8	36.3
United States	3.81 (L.A.)	—	1,291 (L.A.)	49,922	2.2	37.2
Vietnam	87.84	—	331,689	1,528	5.0	28.7
Indonesia	237.64	—	1,910,931	3,592	6.2	28.9
The Philippines	95.86	—	300,000	2,614	6.6	23.3

*1. Based on JETRO reports for individual countries and regions (2012)
*2. FamilyMart estimates
*3. CIA World Factbook (2012)

Note: Population and land area data in Japan are from Statistics Bureau, Ministry of Internal Affairs and Communications (FY2012)

Taiwan

1st store opened in 1988

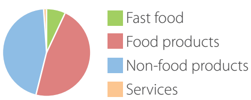
Increasing the Chain's Appeal through Enhanced Products and Services

As competition intensifies, we need to develop new products, ensure our products are safe and secure, and offer services not available at other chains. In fiscal 2012, we rolled out a wide range of new products, expanding our product lineup, principally through private brand items, and enhancing counter items. Also, as well as increasing the number of stores with eat-in areas, we worked to bring more customers to stores through campaigns on social networks and extensive promotions featuring popular characters.

In fiscal 2013, we will expand our offerings of delicatessen and frozen food items and increase the number of stores selling fresh food items in response to demand for greater food safety and security. We will also focus on measures to attract new customers by providing Wi-Fi in stores and increasing the number of stores with eat-in areas to boost sales of ready-to-eat items.

Number of stores:	2,851
Market share:	29% (No. 2 market position)
Franchise stores:	89%

Sales by product category



(As of February 28, 2013)

Baked sweet potato is a popular counter product, as are *oden* items and coffee.

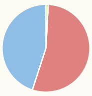
Fresh Garden is an original, chilled drink popular among health-conscious female customers.

South Korea

1st store opened in 1990

Number of stores:	8,001
Market share:	33% (No. 1 market position)
Franchise stores:	98%

Sales by product category



(As of February 28, 2013)

Consolidating Our Position as the Top Convenience-Store Chain

FamilyMart leads the convenience-store industry in South Korea, with more than 8,000 stores. In fiscal 2012, in order to bolster our presence within the local area, we strengthened capital ties with BGFretail Co., Ltd., and launched the new brand "CU," adding "with FamilyMart" to signage and, subsequently, completing brand conversion at all our stores. We will work to open more stores and increase our market share under the new brand name.

We also took steps to meet changes in consumption patterns by providing eat-in areas to match growing demand for fast food items and counter coffee, augmenting our lines of fresh food and HMR* products aimed at customers who live alone, and opening stores attached to drugstores.

In fiscal 2013, we aim to consolidate our position as South Korea's top convenience-store chain by providing new services to meet diverse customer needs.

* HMR (Home Meal Replacement): Food products that only require heating before consumption

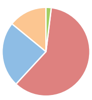
We offer more than 500 brand items, including *bento*, milk, and confectionery, and we plan to expand our range in the future.

Thailand

1st store opened in 1993

Number of stores:	806
Market share:	8% (No. 2 market position)
Franchise stores:	13%

Sales by product category



(As of February 28, 2013)

Working with CRC to Make Great Strides

In Thailand, where middle-income earners are increasing in number due to the country's economic development, the retail market shows great potential. To accelerate our business expansion, we concluded a new joint-venture agreement with the country's largest retailer, Central Retail Corporation Limited (CRC).

In fiscal 2013, we will begin working with CRC in earnest. By leveraging FamilyMart know-how on the one hand to bolster the development of ready-to-eat and other original items in order to differentiate ourselves from competitors and fully utilizing CRC's networks on the other, we will work actively to progress store development and materials procurement.

Ready-to-eat items are popular, with croissants, hot chili pork burgers, and chicken pepper burgers particularly well-received. To differentiate ourselves from competitors, we are also focusing our efforts on chilled *bento*, including Japanese-style *yakisoba* and *teriyaki bento*. Our original frozen *bento* range "*Quick Serve*" is also very popular.

Two varieties of *oden*: Thai-style *tom yum* and Japanese *dashi*.

China

Number of stores (China total)	989

Shanghai 1st store opened in 2004

Number of stores:	741
Market share:	13% (No. 4 market position)
Franchise stores:	43%

Sales by product category

Guangzhou 1st store opened in 2006

Number of stores:	146
Market share:	20% (No.3 market position)
Franchise stores:	20%

Suzhou 1st store opened in 2007

Number of stores:	70
Market share:	20% (No.2 market position)
Franchise stores:	39%

Hangzhou 1st store opened in 2011

Number of stores:	17

Chengdu 1st store opened in 2012

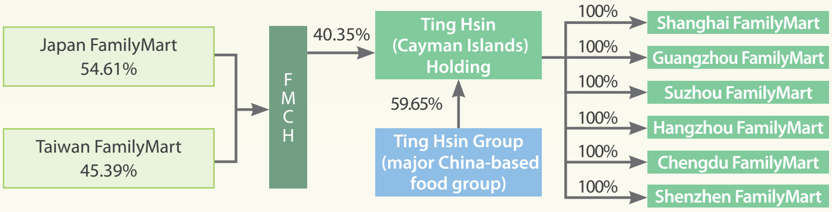
Number of stores: (As of February 28, 2013)	15

Shenzhen 1st store opened in 2013

Making Great Progress in Efforts to be No. 1

We are developing operations in China in partnership with Ting Hsin Group, a major Chinese foods industry group, and our area franchiser Taiwan FamilyMart Co., Ltd. Beginning with our pioneer store in Shanghai in 2004, we have been steadily extending our store openings to other areas of China, reaching Chengdu in fiscal 2012.

Business structure in China



FMCH: FamilyMart China Holding
Japan FamilyMart's stake: 30.00%

With a population of 1.3 billion, China is expected to grow into an extremely large convenience-store market. Through the development of *bento*, bakery, and other products to match consumer tastes, we intend to make ready-to-eat meals more acceptable to Chinese customers. We are also working to heighten the convenience-store presence through such measures as providing eat-in areas in stores where customers can immediately eat products after purchase.

In fiscal 2013, we aim to attract more customers through the catchphrase "Discover Exciting New Products and Services at FamilyMart." We will also target differentiation through original and high-value-added products, introducing private brands and coffee machines into stores, and continue efforts to develop ready-to-eat products that match local eating habits. We intend to seek out further opportunities for expansion while monitoring the economic situation and aim to be China's No. 1 convenience-store chain in terms of both quality and quantity.

This popular, delicious *bento* is made from carefully selected sirloin beef that has been simmered with potatoes, carrots, and other vegetables to extract the flavor.

Japanese-style curry is poured generously over a large cheese-topped pork cutlet on a bed of rice in this filling, but reasonably priced, tasty *bento*.

United States

1st store opened in 2005

Number of stores:	9

(As of February 28, 2013)

Enhancing Our Product Lineup to Add to Store Appeal

The first store in the United States was opened in Los Angeles under the Famima!! brand name in 2005, with further openings centered on the downtown area.

In fiscal 2013, we intend to continue bolstering our product lineup, centered on fast food items, ready-to-eat products, and other strong sellers, while at the same time working to expand sales of products responding to customers' growing interest in health issues, such as homemade sandwiches using whole wheat bread.

Famima!! original fresh sandwiches made with home-made bread are our stores' most popular item.

Through stylish stores with characteristically Japanese high-quality products, services, and hospitality, we aim to meet the expectations of our fashion-conscious customers in the local area.

Vietnam

1st store opened in 2009

Number of stores: 39

(As of February 28, 2013)

Making a Name in the Market in Vietnam

With an average age of 28.7, Vietnam is a market with great potential. We are applying the FamilyMart basics of thorough service, quality, cleanliness, and hospitality in welcoming customers to our stores. We aim to create stores where customers will enjoy shopping and to establish ourselves in the local market through a bolstered product lineup and stores that reflect customer feedback, thereby enhancing our appeal beyond basic convenience.

Generously sized shrimp cutlets are strong sellers despite their price.

Rice-balls, *teriyaki bento*, and other Japanese-style products are popular, especially among young people.

Indonesia

1st store opened in 2012

Number of stores: 5

(As of February 28, 2013)

Designing Stores to Harmonize with Local Customs

We launched operations in Indonesia in fiscal 2012 after concluding an area franchise contract with PT. FAJAR MITRA INDAH, a wholly owned subsidiary of the Wings Group, which is a major manufacturer and wholesaler of consumer goods.

We are working to design stores where local customers will feel comfortable through products and store layouts that are sensitive to the customs of the 90% of Indonesians who are Muslims. We are also expanding our product lineup to match local tastes, such as by taking locally popular *satay* meat skewers, seasoning them with Japanese flavors, and selling them as *yakitori*, which is now a key product.

These reasonably-priced items are particularly popular as snacks for students who eat them on the way home from school.

The Philippines

1st store opened in 2013

Aggressively Expanding Centered on the Capital, Manila

Philippine FamilyMart CVS, Inc., was founded in November 2012, and we opened our first store in the Philippines in April 2013, having signed a shareholders agreement with SIAL CVS RETAILERS, INC., a joint venture between Ayala Land, Inc., part of the Ayala Group, one of the country's largest business groups, and Stores Specialists, Inc., part of the Rustan Group, one of the largest retailing groups.

By leveraging a Japanese-style product lineup including ready-to-eat items, we aim to differentiate ourselves from competitors that entered the market before us, aggressively open stores centered on the capital, Manila, and rapidly establish our brand in the Philippines.

Made to the original Japanese recipe, *katsudon* is popular as a product that is not available at other convenience stores.

Corporate Social Responsibility

Special Feature 1

Stakeholder Dialogue

"FamilyMart, Where You Are One of the Family," the slogan

One Akiyama
Integrex Inc.
President

Isamu Nakayama
FamilyMart Co., Ltd.
President

Mika Takaoka
FamilyMart Co., Ltd.
Outside Corporate Auditor

We talked to a specialist Ms. Akiyama about how we should demonstrate social responsibility as a social and infrastructure provider.

One Akiyama
Integrex Inc.
President
Gives advice about investing in SRI (socially responsible investment) funds, targets "Integrity for Sustainability" through putting into practice the principles of companies and other organizations, and provides CSR support programs to a range of businesses.

Contributing to society through our day-to-day business… That is the kind of company FamilyMart is.

Takaoka To begin with, could President Nakayama, who came to office on 1 January, 2013, please explain the essentials of FamilyMart's CSR policies to Ms. Akiyama?

Nakayama Every day, on average, about 1,000 customers shop at each FamilyMart store in Japan, for a total of about 10 million customers for all stores. About 100,000 store employees work in these stores, and in their jobs they provide products and services to 10% of the population, helping to make people's lives better. At the same time, those 100,000 employees earn money to support themselves. Drucker* said that "companies have three responsibilities: to make a profit, to satisfy employees, and to be socially responsible," and we are fulfilling all of those in our work every day in what I see as a wonderful workplace. We are contributing to society through our day-to-day business. I think that is the kind of company FamilyMart is and what it means to work at FamilyMart.

Akiyama I believe this is the essence of CSR. The heart of CSR is companies putting their principles into practice in the course of their business. How a company contributes to society through its business is important, and for that reason it's important for all store employees to understand this concept, share it, and apply it personally to their daily work. For the same reason, the kinds of activities a company carries out are also important.

* Peter Drucker: Economist and management thinker. Known as "the man who invented management," he introduced such concepts as CSR, knowledge workers, and privatization, greatly influencing global business and managers.

that guides our thinking. What kinds of CSR are important for FamilyMart?

Establishing relationships of trust with local partners an important issue as FamilyMart seeks to become the world No. 1

Akiyama With rapid expansion overseas, your international employees and customers have also rapidly increased in number. In localizing your business, how will you get these people to understand and share FamilyMart's way of thinking? It's a major challenge for a company that wants to become the No. 1 convenience-store chain in the world.

Nakayama Retail is a business deeply connected to local areas. If a big corporation funded by foreign capital takes the stance that it's going to do business in a particular country providing only its own systems, it will not be accepted. Today, it takes a long time for distributors and retailers to set up in a new country. To really be able to establish lasting operations in that country, it's necessary to build strong relationships of trust with local partners. We have to find a business partner we can share our values with and establish control so that we can grow together. That's our basic stance on overseas expansion.

Takaoka When you share values with your international partners, you have to overcome various differences related to labor practices, human rights, the environment, and so on in the country you're operating in. This process is also linked to international social responsibility standards like ISO 26000, but aren't there extremely difficult problems involved?

Akiyama Although it depends to some extent on the place and the kind of business, the important point is to fix your company's principles and values at the center of the business while localizing daily operations. This may sound obvious, but you have to observe local conditions carefully, keep your ears open, and understand what you see and hear. It's important to recognize differences with Japan and, as long as you do recognize them, you are unlikely to make any significant mistakes.

Responding to demand for convenience stores to provide social and lifestyle infrastructure as part of their regular service

Takaoka Since the Great East Japan Earthquake, convenience stores have been in the spotlight as a part of the social infrastructure. Has this new awareness of the role of convenience stores led to a change in FamilyMart's thinking?

Nakayama Our basic stance of providing a better life to consumers hasn't changed. However, what a "better life" actually is can have endless interpretations and changes every day. With the new demands that have emerged since the disaster, I feel the job has become even more difficult. It's necessary to keep working at meeting customer needs steadily from day to day. That's just what we have to do.

Akiyama Yes, convenience stores' role in providing infrastructure has grown since the disaster. People throughout Japan could sense the gratitude and happiness that those people affected felt when the stores were open and had opened quickly, the lights were on, and the normal products anyone would expect were being sold. Expectations of convenience stores and their role in the community unmistakably went up a level.

Nakayama I heard in an interview with the manager of the FamilyMart store in the village of Kawauchi in Fukushima Prefecture that she tried every day to make work fun for the staff to contribute to the recovery of the area. By doing so, she hoped more people would want to work at the store and those people might go back to live in the town while they worked in the store. I thought this was a great effort, showing an impressive attitude.

Mika Takaoka
Professor at the College of Business, Rikkyo University, Tokyo
FamilyMart Co., Ltd.
Outside Corporate Auditor
Specializes in changes in consumer behavior and distribution systems; franchise systems and corporate structure, systems, and culture; and formation of a sustainable society and consumer communication.
In May 2011, Ms. Takaoka was appointed one of FamilyMart's outside corporate auditors.

Creating a new corporate culture through the commitment of management

Isamu Nakayama
FamilyMart Co., Ltd.
President

Akiyama I think the most important aspect of CSR activities is the commitment of managers to carrying out such activities. It matters whether managers genuinely want to do a good job that's useful to society or not. There's a necessity to repeatedly convey this message of contributing to society by doing a good job and to put systems in place so that employees incorporate this way of thinking into their jobs. As this will not happen if managers themselves are not totally committed, the way that managers think really is the most important factor.

Takaoka We were talking earlier about overseas expansion, but naturally as the number of stores increases in Japan the influence on society and environmental impact increase here as well. I believe CSR becomes more vital.

Nakayama In retail, a key point of CSR in terms of the environment and compliance is to investigate and manage how the products in stores get there and with what kind of history. We know that this is a significant and difficult issue. Although product scrutiny and management requires a great deal of money and effort, it's important to see this as an ordinary expense. Then, we need to take things to the next stage so that it becomes common thinking. At first, big corporations have to lead the way.

Akiyama Yes, I agree. I think another key point is keeping customers informed. They are starting to ask at stores about how the products they consume are affecting the planet, and this is something people will expect from CSR in the future.

Column 1

Seven Promises and Three Requests

Since coming to office, President Nakayama regularly posts messages on the Company's intranet, demonstrating his belief in the importance of communication. Concerning that, I think it's wonderful that he includes seven promises and three requests in his message to existing and new staff. Because he does not simply make requests, first making seven promises to himself, it encourages staff to respond to his requests. By posting messages, the president demonstrates his intent to set an example. And, I can feel how that helps to create a positive atmosphere within FamilyMart.

One Akiyama (extract from dialogue)

Seven Promises

1. To think about what the Company should do
2. To think about what is good for the Company
3. To prepare and implement action plans
4. To take responsibility for decisions
5. To take responsibility for communication
6. To discover opportunities in problems
7. To conduct productive meetings

Three Requests

1. To have shared aspirations
2. To show the ability to get things done
3. To maintain healthy minds and bodies

Column 2

Now's the Time to Try Our Best, FamilyMart!

In a time when more than 300,000 people have been uprooted from their familiar environment and are forced to live as evacuees as a result of the Great East Japan Earthquake, the village of Kawauchi, in Fukushima Prefecture, reopened public facilities, such as schools and government offices, to encourage people to return to the village. To support these efforts and in response to requests from the local government and customers, FamilyMart refitted its closed-down convenience store and reopened. The store manager had evacuated to the city of Koriyama, but returned to Kawauchi when the store reopened and continues to provide daily service that exceeds customers' expectations.

VOICE

I decided to contribute to recovery efforts in my local area by working to create an at-home atmosphere in which customers and staff could relax and enjoy conversation. I wanted it to be an environment where people of the village and recovery workers could shop comfortably.

Naomi Teraoka
Store manager at the Kawauchi FamilyMart store

Unifying CSR and management—the basis for FamilyMart's competitive edge

Takaoka I hear some people believe CSR is a waste of money with no connection to direct sales. On the other hand, recently the attitude is emerging that CSR is connected to competitiveness.

Akiyama Thinking about how the world is changing today, it's getting to the stage where companies that don't think about their responsibility or contributions to society will not be able to compete at all. CSR is a basis for competitiveness, but, until companies develop the mind-set that continued corporate growth is impossible without the integration of CSR and management, companies will not be able to perform CSR activities that provide genuine competitiveness.

Nakayama That's right. I don't think companies without an understanding of CSR can survive into the long term. It's important to work while thinking of "you" and "the future," rather than "me" and "now," and although the "me" and "now" attitude certainly might be good for this year's results it will ultimately become a negative. For this reason, I want to make FamilyMart a company that operates keeping "you" and "the future" in mind, and I want to make that part of the "FamilyMart Feel." I would like to put the way of thinking of doing a good job now for the next generation into FamilyMart's corporate culture.

Akiyama From the perspective of today's stakeholders, companies that think about "you" and "the future," rather than "me" and "now" are seen as innovative. Recently, the way companies think about CSR is to tackle social problems in the course of their regular business, but wherever there is a problem there is also a business opportunity. When a company solves a problem, a new business emerges, leading to profit.

Nakayama Of course, if companies don't make a profit this year they can't survive, so it's also necessary they think about what they need to do today. However, whenever you're not sure what to decide, whether to say "yes" to the "me" and "now" way of thinking or "yes" to the "you" and "the future" way of thinking, although the near future is important, it's also important to consider the longer term.

Takaoka I can see that for FamilyMart, as a part of the social and lifestyle infrastructure, CSR activities lead to greater existential value through increased corporate value. Thank you very much for your time today.

On receiving the stakeholder dialogue

Ms Akiyama provided us with valuable advice about the Company's CSR activities. Thank you very much.

As Ms Akiyama says, in order to spread the concept of CSR through the Company, it's important for me to lead by example while working to convey the idea to and build a relationship of trust with employees. We aim to be a part of the social and lifestyle infrastructure and to be appreciated by local communities and global society by establishing shared aspirations throughout the FamilyMart Group.

Our job as a convenience-store operator is to help our customers lead a better life and to contribute to society through solving problems in local communities. But this becomes meaningless if we make our customers happy but make the people in our supply chain unhappy, as in a zero-sum game. We want everyone connected with FamilyMart to be happy, and this is connected to our own happiness. It's important to create that kind of "plus-sum game" where everyone benefits, and I think that is a first-rate way of doing business and the target of FamilyMart's CSR. We will strive to fulfill our CSR by making it the mind-set for our employees to do a good job now for the next generation.

Isamu Nakayama
FamilyMart Co., Ltd.
President

Corporate Social Responsibility

FamilyMart CSR

Store staff

Future generations

Environment

Under FamilyMart's slogan of "FamilyMart, Where You Are One of the Family," the Company and its stakeholders seek to move forward in partnership, based on a relationship of trust.

Aiming to become an even more vital part of the community and pursuing further convenience while meeting customers' needs as a part of the social and lifestyle infrastructure, our role has expanded beyond only sales to include everything from financial and other services to being a point of safety and a base for disaster preparation.

FamilyMart's CSR as a group with stores throughout Japan and around the world is to provide residents of local communities with a better life and social and lifestyle infrastructure with added value.

FamilyMart Basic Principles

Our Slogan

"FamilyMart, Where You Are One of the Family"

FamilyMart's Goal

We aim to make our customers' lives more comfortable and enjoyable, primarily by displaying hospitality in everything we do, and by ensuring a shopping experience characterized by convenience, friendliness and fun.

FamilyMart's Basic Management Policies

- Value creation and high-quality products
- The spirit of "Co-Growing"
- Legal and ethical compliance, open and fair corporate activity
- Environmental consideration, local and social contributions
- Creativity and a love of challenges, a vibrant corporate culture

FamilyMart's CSR is to put into practice the details of its Basic Management Policies.

May 2012

Charge electric vehicles while shopping at FamilyMart

Rapid-charging equipment for electric cars and service expansion

In our role as a 24 hours a day, 365 days a year social and lifestyle infrastructure provider, the availability of rapid-charging equipment in store parking lots encourages the spread of electric cars and helps to make their users' lives more convenient. By opening model stores with charging equipment throughout Japan, we aim to support the realization of a low-carbon society as more people switch to electric cars. As of the end of May 2013, 28 stores offered this charging service.

December 2012

Support for recovery and providing human warmth

Famima-go **mobile sales vehicles and disaster area stores**

To support areas affected by the Great East Japan Earthquake and other areas where shopping is difficult, from September 2011 we launched the *Famima-go* mobile sales service with vehicles traveling around these areas to sell daily food and other items. In December 2012, in response to requests from Japan's Reconstruction Agency and the village of Kawauchi, Fukushima Prefecture, which was evacuated at the time of the disaster, we opened the only convenience store in the village. By doing so, we aim to make shopping more convenient for village residents and people involved in recovery efforts.

Shareholders and other investors
Business partners
Employees
Customers
Franchisers
Communities
The environment
Students
NGOs and NPOs

Providing value to stakeholders through "FamilyMart Feel" activities

Social

Governance

Bolstered CSR Management through ISO 26000

Today, there is a need for companies to demonstrate social responsibility through the implementation of ISO 26000.

As FamilyMart has more than 22,000 stores in Japan and overseas, a world standard for CSR management is essential. Since fiscal 2011, we have introduced self-check sheets based on ISO 26000 and we are working to survey the present situation and identify the issues in our CSR activities. We aim to show social responsibility in all the countries in which we operate and grow with local communities.

Helping Local Communities around the World

"Toys for Tots"

At all Famima!! stores in the United States, there are special boxes for the collection of new toys and empty Neuro drink bottles. The toys are given as Christmas presents to needy children in the local community, while for each bottle collected 25 cents is given to the charity "Toys for Tots" to buy more presents.

Scholarships for Elementary School Students

In Thailand, an initiative for providing scholarship money through donations, as well as money for food and text books, is now in its sixth year. In November 2012, donations were made for the 20th time.

There are also charity boxes in FamilyMart stores for the Raks Thai Foundation, which supports environmental projects.

December 2012

New activities as a social and lifestyle infrastructure provider

Delivery of essential products through network for *bento* delivery to elderly customers

Using the network for Takuhai Cook 123, a *bento* delivery service for elderly customers run by subsidiary SENIOR LIFE CREATE Co., Ltd., we launched a delivery service in some areas. Pre-ordered FamilyMart products are delivered with *bento* to Takuhai Cook 123 customers. When taking orders and making deliveries, we also check customers are well, differentiating our service from ordinary delivery services and bolstering our role as an infrastructure provider.

December 2012

Promotion of environmental and social contribution activities

Exhibit in Eco-Products 2012

We had an exhibit as part of the zone for children, "Junior Green School," at Eco-Products 2012, one of Japan's largest environmental exhibitions. At the booth, we introduced FamilyMart's environmental and social contribution activities along with quizzes and an exhibition of merchandise. The exhibit was well received among children, who we heard saying, "Wow! I didn't know that!" and "From now on I'll buy rice-balls with Bellmarks! and help other schools."

Next-generation flagship store with low environmental

Planning a Sustainable Store

Around 90 percent of FamilyMart's CO_2 emissions come from stores. Because of this, a reduction in stores' environmental impact is essential to the successful realization of sustainable business operations.

Since 1996, we have been working to develop eco-stores, installing new technologies for reducing environmental impact from early on. In recent years, we have introduced such technologies as LED lighting in stores, greatly improving efficiency.

Further, the Great East Japan Earthquake led to a renewed appreciation of the convenience store as a part of the social infrastructure following a disaster, and we are working to develop and equip stores with the ability to create and store power so that they can continue business in a disaster scenario.

With our aim to be the store people choose to use as a part of their social and lifestyle infrastructure, we continue to pursue a range of initiatives to achieve that goal.

Energy-saving activities to date

1997	Installation of solar power generators in Kanagawa Prefecture (Konandai interchange and Hayama) and Ibaraki Prefecture (Yatabe, Tsukuba)
1999	Installation of more-efficient, single-light façade signage begins
2001	Installation of adjustable store lighting system allowing division into three zones begins
2003	Installation of integrated store heat-use system for air-conditioning, refrigeration, and freezing
2004	Trial installation of LED façade signage
2005	Installation of adjustable store lighting system allowing division into five zones begins
2010	Opening of flagship Nerima Toyotamanaka 3-chome eco-store in Tokyo
2010	Installation of LED façade signage as standard in new stores
2011	Installation of LED lighting in stores by stages
2013	Opening of next-generation flagship Funabashi Kanasugi store in Chiba Prefecture

Store Data

FamilyMart, Funabashi Kanasugi Branch
(Kanasugi 3-1-4, Funabashi, Chiba)
Total store area: 193.6 square meters
Sales area: 147.0 square meters

Next-Generation Flagship Store

In February 2013, we opened a next-generation flagship store, combining previous eco-friendly technology with new technologies.

This store will allow us to test the three aspects of friendliness, disaster readiness, and new technologies simultaneously. After we obtain the results, we will proactively introduce equipment into stores where it can be added, with the aim of reducing FamilyMart's overall environmental impact and enhancing our role as a part of the social and lifestyle infrastructure.

Targets for the flagship store compared with existing stores (average new store in fiscal 2010)

	New store in fiscal 2010	Flagship store
Electricity usage	170,000kwh	119,000kwh
CO_2 emissions	65.28t	55.10t*

* CO_2 equivalent emission factors for fiscal 2011

Store manager Teruhiro Nakamura (center) and staff impact ready to meet the needs of a disaster scenario

Features of Our Next-Generation Flagship Store

Eco-friendly + disaster ready

FamilyMart First

Solar power + Lithium-ion battery system

Part of the electricity generated by solar power will be used for lighting, reducing power usage. The remainder will be stored in a lithium-ion battery for use as emergency power. In an emergency, the battery system would provide power for the POS systems and lighting, making possible continued store opening in a disaster scenario.

Solar panels

Litium-ion battery

Eco-friendly technologies

Convenience-Store Industry First

Geothermal heat pump air-conditioning

Underground heat can be used as a stable energy supply for efficient air-conditioning, leading to a 30% reduction in electricity consumption.

FamilyMart First

Non-CFC, CO_2 refrigerant refrigeration and freezing system

Systems using CO_2 refrigerants will help to prevent global warming through the phasing out of CFC refrigerants. A 30% reduction in power consumption compared with existing systems is also possible.

New systems and technologies

Convenience-Store Industry First

Recyclable cardboard shelves

Shelves for products are made of 100% recyclable cardboard, enabling an 80% reduction in CO_2 emissions in the production stage.

Convenience-Store Industry First

Next-generation OLED lighting

We are the first in the industry to use post-LED, next-generation OLED (organic light-emitting diode) lighting, which we use in the eat-in area. It provides bright lighting for the immediate area.

Convenience-Store Industry First

Adjustable brightness and color LED lighting system

With the latest in-store lighting system, it is possible to adjust brightness and color in different zones of the store to match the time of day or the season and to create a comfortable and pleasant environment.

At night, the light is a warm orange.

The light is a refreshing blue in the morning and afternoon. In the early morning, the brightness is turned down.

Message

Building on the past toward FamilyMart's future

We recently opened a next-generation flagship store, which uses natural energy and is equipped for disaster scenarios, as a combination of our accumulated eco-friendly technologies. Technological innovation is a steady and continual process and there is no end to efforts to reduce environmental impact. It is important to test the new technologies in this store, use the data to work with manufacturers, and develop the technologies further to make our stores even more highly functional. The systems and technologies used in the eco-store are part of a trial looking ahead to including them as standard in 2015. At present, they are expensive compared with those used in our regular stores. However, with the development and spread of the new technologies, we will make a huge contribution to the reduction in environmental impact for society as a whole, and I am confident these new systems and technologies will become cheaper. Looking ahead, it is important we understand the overall life-cycle assessment of the store, share opinions with all those parties connected with FamilyMart store design, and then work to develop the technologies used in store equipment and, as much as possible, make it recyclable.

You can look forward to further FamilyMart initiatives for reducing its environmental impact.

Eiji Naoi
Director of Store Construction Planning Department

Role and Responsibilities as a Global Social and Lifestyle Infrastructure Provider

To be able to provide the same products and service anywhere in the world and to ensure customers can use our stores safely, FamilyMart and its area franchisers are pursuing a range of initiatives through global projects with the aim of achieving shared social values and implementing CSR.

As part of our global CSR efforts in 2012, we decided on a global CSR slogan and action plan guidelines as a means to build common understanding within FamilyMart as a whole. We also established a shared social goal for the worldwide FamilyMart Group of "Happiness for All" and discussed an action plan for fiscal 2013 and beyond at a meeting of CSR officers.

The FamilyMart Group is working together to become the convenience-store chain customers around the world choose to use as a part of the social and lifestyle infrastructure.

FamilyMart Global projects and CSR Activities

Fiscal 2011
Global social value creation and CSR action plans
Shared ISO 26000 concept worldwide

- Shared creation of social value: "Happiness for All"
- Drew up three CSR action plans

Fiscal 2012
Identification of shared global social issues

Happiness for All

- Decided on global CSR symbol
- Selected global program partners (NGOs)

Fiscal 2013
Put shared global CSR action plans into effect

- Conclude agreement for global partnership program with Save the Children Japan
- Sell reusable FamilyMart shopping bags and donate portion of those sales

FamilyMart Global Slogan

"Welcome to the Family"

Global Action Guidelines

1. PERFORMANCE: Surpass our customers expectations
2. TEAMWORK: Have faith in your colleagues and enjoy the benefits of collaboration
3. AWARENESS: Fine-tune your empathetic skills
4. COURAGE: Relish a challenge
5. HONESTY: Be true to yourself and others

Global FamilyMart
Creating social value

Playing a valuable social role through our convenience-store business

Bringing happiness to customers, communities, and the Earth
Happiness for All
—customers, communities, the earth—

Three CSR action plans

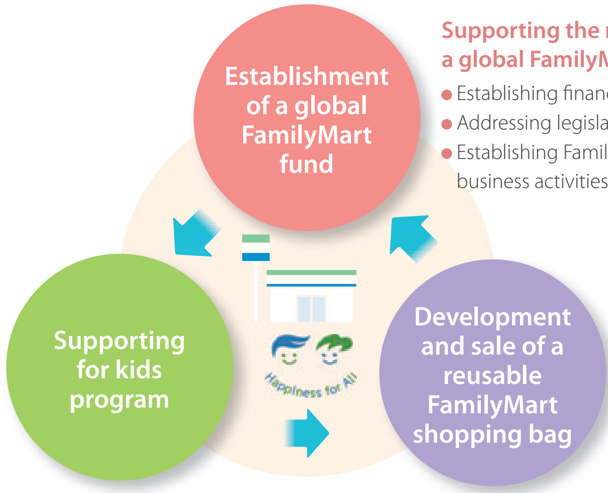
- Establishment of a global FamilyMart fund
- Development and sales of a reusable FamilyMart shopping bag
- "For Kids For the Future" program for helping children

Progress report on three CSR action plans

At a meeting of CSR officer, FamilyMart drew up three action plans for bringing happiness to customers, communities, and the Earth.

These plans are based on three initiatives: a global FamilyMart fund; environmental protection activities, including the development of a reusable shopping bag; and the "For Kids For the Future" program for helping children, which seeks to tackle social issues. In implementing these initiatives, we will work with customers to implement our CSR action plans. At the second CSR officer meeting in fiscal 2012, we worked out the details of the child support program and systems for the development of the reusable shopping bag, and we intend to make further progress in fiscal 2013.

Details of three CSR action plans



Supporting the next generation through a global FamilyMart fund
- Establishing financial basis for CSR activities
- Addressing legislative issues in different countries
- Establishing FamilyMart-initiated supporting business activities

For Kids For the Future
- Fostering the children who will support the world of tomorrow
- Assisting programs for tackling social issues in each country
- Working together with NPOs and NGOs

Returning profits to local areas
- Raising money through development of fund-raising products and campaigns
- Reducing use of plastic shopping bags
- Reducing store CO_2 emissions

Global environmental project progress

At the 2010 FamilyMart Summit in Toyako, Hokkaido, senior managers from countries where FamilyMart operates agreed to initiate a global environmental project as a part of global CSR. At the 2011 FamilyMart Summit in Shanghai, a target was set of a 20% reduction in power consumption from fiscal 2010 levels by 2015 and companies in different countries prepared action plans to meet that target.

In fiscal 2012, the FamilyMart Group recorded a 6% reduction from fiscal 2010 levels, meeting its planned target. This reduction was mainly the result of installing power-saving equipment and LED lighting and using inverter technology for refrigeration showcases, air-conditioning, and in-store lighting. Various energy conservation measures in stores around the world also contributed.

Global environmental project declaration

*A reduction of 20% by 2015 from fiscal 2010 power consumption for each store of 167,000kwh (the Group's total power consumption divided by the number of stores)

Each company's target and action plan

Target (compared with fiscal 2010)		Action plan		
		New stores		Existing stores
Taiwan	−10%	Power-saving equipment	LED lighting	Energy conservation measures (energy conservation guidelines)
China	−25%	Inverter technology (refrigeration showcases, air-conditioning, in-store lighting)	LED lighting	
Thailand	−20%	Inverter technology (refrigeration showcases, air conditioning, in-store lighting)		
U.S.A.	−5%	Proposed expanded LED usage		
Japan	−15%	Expanded LED use (signage, in-store lighting, open cases, parking lots)		

FamilyMart's Responsibility toward Society

With changes in the social structure and accompanying shifts in the way people think, there are greater expectations of convenience stores. As a part of the social and lifestyle infrastructure closely tied to local areas, FamilyMart has drawn up a social contribution policy for building better communities. We aim to fulfill our social role and gain the appreciation of people who live near our stores. We want to offer customers not only convenience but also human warmth. With that thought in mind, we carry out a variety of community activities.

FamilyMart Social Contribution Policy

Established: March 1, 2007

1. As a company with international operations, we actively seek to help enrich the global community and support environmental protection.
2. To meet the expectations of local communities and win their trust, we take care to build links and prosper in harmony with them.
3. As part of our role in helping create safe, secure neighborhoods, we take various measures to help local parents keep their children out of trouble.
4. We support the individual efforts of our employees to get involved in social contribution activities.

FamilyMart fund-raising activities in Stores

The collection of donations for good causes in stores is deeply connected to the life of a community. With about 9,500 stores throughout Japan and about 10 million customers visiting those stores every day, representing 10% of the entire population, FamilyMart can use its position to make a significant social contribution through fund-raising.

In 1993, FamilyMart was the first convenience-store chain in Japan to place collection boxes at cash registers. Since 2009, it has been possible to make donations to designated charities through in-store Famiport Multimedia Terminals.

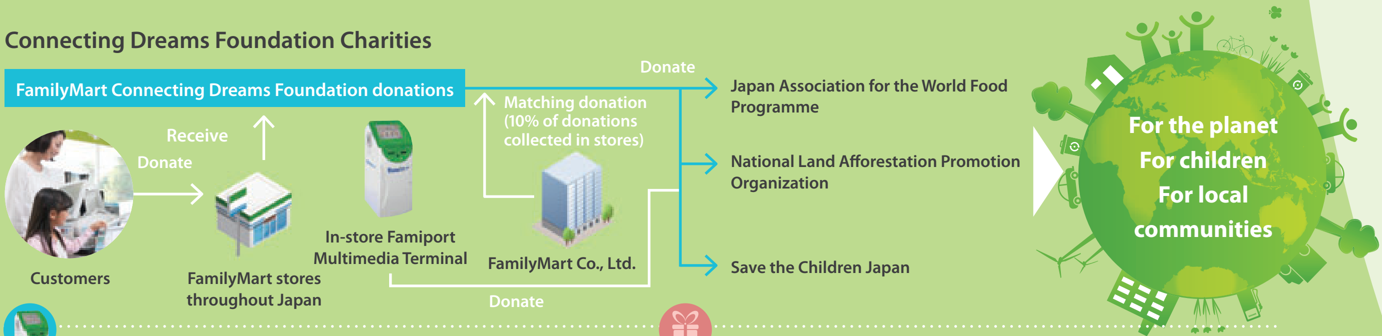
Money raised from customers is donated to support NPOs and NGOs working for the betterment of society. FamilyMart matches customer donations and raises money for emergency relief after disasters at all its stores in Japan.

Connecting Dreams Foundation charity collection box

Money Raised in Stores

Since April 2006, money raised in stores has been donated to the Connecting Dreams Foundation to support NPOs and NGOs working to make a better future for children around the world and to protect the planet. In this way, FamilyMart acts as a bridge connecting customers with NPOs and NGOs. Customer donations, along with FamilyMart's matching donation, are divided among the Japan Association for the World Food Programme, Save the Children Japan, and the National Land Afforestation Promotion Organization.

Connecting Dreams Foundation Charities



Famiport Fund-raising
It is possible to make donations using in-store Famiport Multimedia Terminals, specifying the charity and the amount donated. Donations are still being accepted for reconstruction assistance after the Great East Japan Earthquake.

Matching Donations
FamilyMart matches customer donations by contributing 10% and then divides the money among each organization.

Total Donations and Activity Reports
Total donations in fiscal 2012 came to ¥320 million, including in-store customer donations, matching donations, Famiport donations, a proportion of "cause marketing" product sales, and a percentage of overall sales. Money raised from July 14, 2012, to July 31, 2012, was donated to the prefectures of Oita, Fukuoka, and Kumamoto after heavy rains caused damage in Kyushu. The remainder of the money raised was donated to NGOs and NPOs to support children in areas affected by the Great East Japan Earthquake, to support children around the world through food aid and education programs, and to support other organizations.
* The amount of money donated to each organization is reported on FamilyMart's corporate website.

Activity Reports

Supporting the UN World Food Programme

RED CUP CAMPAIGN

The United Nations World Food Programme (WFP) is a UN agency that provides food aid, targeting a world without hunger.

Part of the money raised from sales of products marked with a red cup was donated to the UNWFP's school meals program.

Photo provided by Save the Children Japan

Giving children the chance of an education
Giving daily support to children in crisis areas

Save the Children Japan

Save the Children is an NGO that has been protecting children's rights around the world for more than 90 years. Since 1993, FamilyMart has been supporting Save the Children Japan's activities.

Save the Children Japan opened an office in Tohoku after the Great East Japan Earthquake and is working to support children in disaster-affected areas.

Teaching the wonder and importance of forests

Supporting forest workshops

The National Land Afforestation Promotion Organization uses donations to sponsor "Donguri-kun to mori no nakamata-chi" forest workshops for preschool children, teaching them the wonders of Japan's forests. In fiscal 2012, this organization visited areas affected by the Great East Japan Earthquake. The children enjoyed a character show about forests and planted acorns. It is planned that after two years, they will plant the young oak trees in a forest.

The forest workshops have been held 21 times in eight prefectures, with a total of 1,896 children taking part.

Fostering the next generation
Raising environmental awareness

Supporting "Kikikaki Koshien"

"Kikikaki Koshien" (Listening to the Forest, Writing about the Forest) is a program sponsored by the Network for Coexistence with Nature in which Japanese high school students meet with forest, river, and marine experts. Through such interaction, the students listen and write about local traditions, culture, and knowledge as well as technology and work.

Apart from donating funds, FamilyMart publicizes recruiting campaigns through in-store announcements and LCD displays at cash registers. Since 2005, we have supported "Kikikaki Koshien" in the education of young people, enabling high school students to cross generations to learn the knowledge of people in farming and fishing villages. We have also sent employees to residential kikikaki workshops.

Giving communities a future by supporting disaster reconstruction efforts

Kirikiri Otsuchi volunteer tour

The Kirikiri Otsuchi volunteer tour was held in association with the Network for Coexistence with Nature.

The Kirikiri area in the town of Otsuchi, Iwate Prefecture, was devastated by the Great East Japan Earthquake, but the residents showed strong solidarity in working to rebuild immediately after the disaster. FamilyMart employees were among those taking part in the tour, during which there was a chance to talk with locals as well as to contribute through such activities as donating and setting up message boards in 11 locations and removing weeds.

Support activities

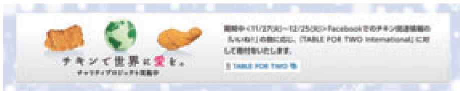
- Volunteer activities cooperating with local residents (setting up message boards and removing weeds)
- Listening and writing about disaster experiences and hopes for the future
- Recovery market (supporting shopping)
- Buying J-VER carbon-offset credits in Kamaishi Forest Association

Product-Related Activities

TABLE FOR TWO

FamilyMart continues to support the TABLE FOR TWO (TFT) initiative, which seeks to remove the global food imbalance and to provide healthy food where needed.

Since 2007, ¥20 has been donated for each evening meal bought on Wednesdays at the FamilyMart Shonan Training Center. In fiscal 2012, we sold a reduced-calorie, sore-throat candy developed with TFT and 3% of sales were donated to TFT to provide children in Africa with school meals. In December 2012, we launched a charity project, "Love to the World through Chicken!," where we posted information about chicken on the FamilyMart official Facebook page and donated ¥100 to TFT for each person who clicked the Like button within a certain period.



Bellmark on All Rice-Balls

The Bellmark campaign works toward the realization of education for children in an equal, well-equipped environment. We support this campaign, and since April 1, 2008, all rice-balls sold in Japan have carried the Bellmark symbol.

Bellmarks collected at FamilyMart's stores, Head Office, and other offices are donated to help elementary schools affected by the Great East Japan Earthquake in the Tohoku region.

"Famima Monozukuri Academy"

Through the "Famima Monozukuri Academy," FamilyMart teaches students about retail, manufacturing, and distribution. Product development teams give marketing lectures at schools, and in fiscal 2012 16 schools participated in "Famima Monozukuri" workshops, which cover all stages of marketing, from product development to sales.

FamilyMart has concluded comprehensive agreements with local authorities and proactively works to use locally grown food and products, entering into tie-ups with local suppliers.

Marketing lecture given by FamilyMart staff

Fostering the Next Generation

Thank You Letter Contest

In fiscal 2012, we held our fourth national Thank You Letter Contest for elementary school children, which was first organized to nurture a spirit of generosity among the young so they will grow to become open-hearted adults. The number of entries increases each time we hold the contest, and in fiscal 2012 we received 44,544 thank you letters.

There were four judges on the judging panel, including freelance journalist Akira Ikegami, who has been a judge in every contest. Among the awards, 21 letters received Best Letter prizes, 36 letters the Judges' Incentive prize, and 7 schools the School Prize. FamilyMart representatives visited schools to present prize certificates to Best Letter prizewinners.

Voice

I was moved by the sense of the family and consideration for others behind things that children use, whether they are hand-me-downs from brothers and sisters or a gift from Grandma.

It is the fourth time I've been on the judging panel. Many letters were well written, with an excellent structure, and I sometimes found myself in tears as I suddenly understood a child's message when I reached the end of a letter.

Akira Ikegami
Judging Panel Chair

Continued Support for Disaster Areas

Wakame Sales Workshop for Children in Cooperation with Save the Children Japan

Employees sometimes volunteer to give workshops at elementary, junior high, and high schools. Following a 2012 request from Save the Children Japan, which supports children in areas affected by the Great East Japan Earthquake, we held a sales workshop at Matsusaki Junior High School in the city of Ofunato, Iwate Prefecture, which suffered from the destructive effects of the tsunami. This workshop was part of the school's integrated studies program on the cultivation and sale of wakame seaweed. The tsunami simultaneously swept away all cultivation facilities and wakame grown through long efforts. In the hope of lending what support we could to students who will be involved in rebuilding the wakame industry, we demonstrated various sales techniques related to greetings, customer service, and the creation of promotion materials.

Bringing smiles to the faces of students

Mobile Sales Vehicle Visits to Temporary Housing

Mobile sales vehicles travel around areas where it is difficult to get to stores, including disaster-affected areas. For example, vehicles visit temporary housing next to the senior care home Hamanasu-no-oka in the city of Kesennuma, Miyagi Prefecture, which suffered the effects of the Great East Japan Earthquake.

Famima-go mobile sales vehicle

Continuing Business when a Disaster Happens

As a part of the social and lifestyle infrastructure, convenience stores have a responsibility to stay open even in emergency situations. Following the Great East Japan Earthquake, FamilyMart reviewed its Business Continuity Plan to ensure that its stores can remain open and serve customers even if a major disaster takes place. We are also working to construct a back-up organizational system.

New Stores and a Return to Business

With the encouragement of our customers, we are returning to business in disaster-affected areas.

Store managers decide to reopen, seeing it as a way of repaying customers and the local area. Local residents and construction workers are happy to enjoy again the convenience of stores that are staffed and able to reopen.

Prefabricated unit store

Continuing to Collect Donations for Great East Japan Earthquake Relief Efforts through Famiport

Donations to help areas affected by the Great East Japan Earthquake are still being collected through in-store "Famiport", Multimedia Terminals. In fiscal 2012, ¥36.1 billion was donated to the Japanese Red Cross Society, the Central Community Chest of Japan, and the ASHINAGA fund (until October 2012).

Donations being collected for disaster relief charities

Total collected as of June 10, 2013: **¥1,312,473,986**

FamilyMart's Environmental Responsibility

As a business that offers a 24/7 service, FamilyMart regards the reduction of its environmental impact as an important social mission. In 1999, FamilyMart was the first convenience-store chain to acquire ISO 14001 certification for Head Office and all the Company's stores, developing implementation plans for environmental impact assessment and measures and taking steps to ensure continual improvement by setting environmental targets.

Approximately 90% of environmental impact from our business activities comes from store operations. Accordingly, we are working to reduce CO_2 emissions in the areas of products, logistics, store facilities, and store management. Furthermore, through an international bilateral credit offset mechanism project, we are making efforts to reduce global CO_2 emissions by adopting cutting-edge Japanese technology in overseas stores.

FamilyMart Environmental Policy (Overview)

Established November 16, 1998, revised March 1, 2007

Ⅰ. Caring for the environment through our business activities
- ① Providing safe, worry-free products and services that are environment-friendly
- ② Environment-friendly product delivery
- ③ Environment-friendly store facilities
- ④ Store operating and waste management policies that respect the local and wider community
- ⑤ Environment-friendly offices and Company vehicles

Ⅱ. Respecting environmental laws and regulations

Ⅲ. Organizations and awareness-raising

Ⅳ. Publicizing our Environmental Policy

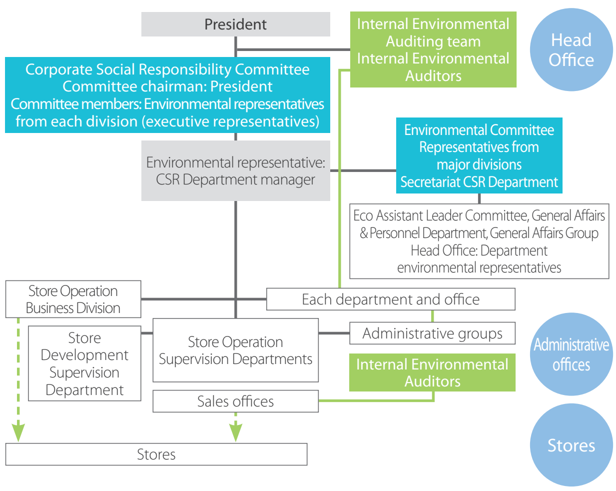
Inspection and assessment of environmental activities through an environmental management system

Since 1999, we have been pushing forward with environmental improvements in all offices and stores through the introduction of a Companywide environmental management system headed by the president.

Fiscal 2012 environmental management review

Apart from receiving environmental inspections by external institutions, internal environmental audits are conducted by CSR Department employees or employees in administrative groups who have gained qualifications as internal environmental auditors. In this way, operations are rigorously assessed.

Environmental management system



Fiscal 2012 Environmental Goals and Progress

We have set targets for reducing environmental impact in such areas as stores (power usage, waste production), logistics (delivery vehicle CO_2 emissions) and products (food recycling) and assessed progress in these areas.

(Excerpt)

	Targets	Quantitative Targets	Progress	Assessment
Products	• Improve the recycling rate in food production facilities	More than 80.0%	• Met target through 83.3% recycling of waste oil and vegetable scraps	Achieved
	• Set standards for earning "We Love Green" product label	—	• Met target through drawing up of applicable standards with reference to Eco Mark standards	Achieved
	• Promote environmental awareness through product campaigns	Offset 366t-CO_2e	• Offset 366t-CO_2e through August 2012 carbon-offset campaign	Achieved
Logistics	• Reduce per-store CO_2 emissions due to store deliveries	Reduction to 99.6% compared with previous year	Met target by reduction of average traveling distance to stores to 98.0% of previous year's level	Achieved
	• Reduce power usage (W) per ¥1 thousand of volume handled at fixed- and room-temperature centers	Reduction to 99.0% compared with previous year	Met target by adoption of LED lighting and power-saving activities, reducing power usage to 93.6% of previous year's level	Achieved
Store facilities	• Perform maintenance at franchisee's discretion	3,300 activities	Did not meet target, despite great increase in number of maintenance activities, including replacement of lighting, cleaning of air-conditioner units, and dismantling and cleaning of range hoods, to 2,556, or 123.7%, of previous year's level	Improvement needed
	• Save power by introducing energy-saving equipment	Installation of 1,028 items of equipment	Met target through energy reduction of 196.1% compared with target due to introduction of hand-dryers that use 20% less power than previous dryers	Achieved
Store management	• Reduce store power usage	Reduction to 99.0% compared with previous year	Did not meet target, with slight increase to 100.8% of previous year's power usage despite promotion of power-saving guidelines "10 Ways to Save Power in Stores"	Improvement needed

Assessment: Achieved = Target met 100%; Improvement needed = Target met 70% to less than 100%; Not achieved = Target met less than 70%

Products

Using biomass plastic packaging

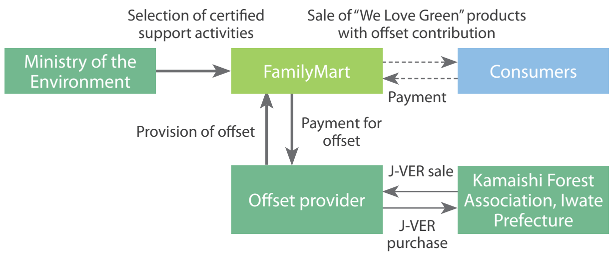
We are working to increase the use of eco-friendly packaging and reduce packaging overall. Since April 2007, we have sold salad items in biomass plastic containers. These containers use biomass plastic made from a variety of maize, so the plants used as material have already absorbed (fixed) CO_2 through photosynthesis, which means that even if the containers release CO_2 through being burned the total amount of CO_2 in the atmosphere will not increase. The containers also contribute to reductions in the use of petroleum.


Salad in a biomass plastic container

Carbon-offset activities

In August 2012, we offset the greenhouse gases emitted in the production of 35 daily items in our eco-friendly brand, "We Love Green," by buying J-VER* credits associated with afforestation activities in the city of Kamaishi in the area affected by the Great East Japan Earthquake. ■Amount offset: 366t-CO_2

Kamaishi Forest Association Carbon Offset System



* Credits issued by the Ministry of the Environment based on reductions in greenhouse gas emissions or absorption due to afforestation projects within Japan

Logistics

Boosting efficiency through shared delivery

We build logistics centers in areas where we have opened new stores or plan to open new stores and, through a system where we transport items requiring different temperatures at the same time, efficiently provide stores with the quantity of a product they need when they need it.

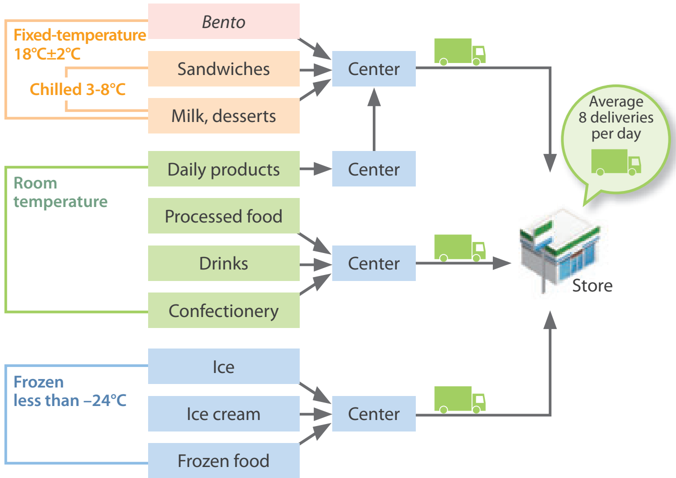
A strong supply network makes possible an average of eight deliveries per day to stores, aligned with peak sales times, and the organization of an efficient operations schedule.

In fiscal 2012, we opened the Misato Central Fixed-Temperature Center in the Kanto region at the end of October and the Nishi-Yodogawa Fixed-Temperature Center in the Kansai region at the end of November, augmenting our delivery service capabilities.

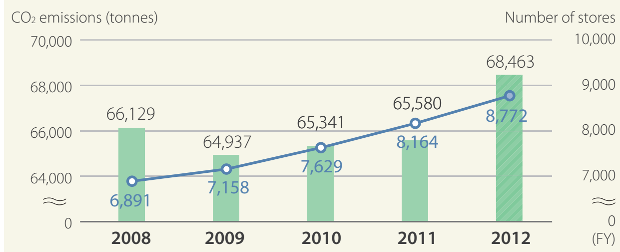
FamilyMart's fixed-temperature delivery vehicles have a basic lifespan of five years and are replaced as needed before they have traveled 500,000 km. As a result, the Company's vehicles can always meet the latest emissions regulations. Fixed-temperature delivery vehicles for ready-to-eat items visit stores three times a day, traveling further than other vehicles. Consequently, we have adopted an eco-drive control system for vehicles at fixed-temperature centers and make checks that drivers are not emitting CO_2 unnecessarily through idling and sudden starting or acceleration.


Solar panels at Misato Central Fixed-Temperature Center, opend in October 2012

Different-temperature, same-time delivery system



CO_2 emissions from delivery vehicles and number of stores*



* Conventional stores opened by FamilyMart Co., Ltd., in Japan
As a result of the Great East Japan Earthquake, the number of delivery vehicles and the number of deliveries fell in fiscal 2011.

Store facilities

Saving energy through wood frame-and-panel construction method

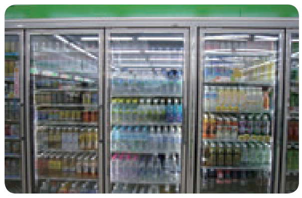
Building using wood frame-and-panel construction method (viewed from the entrance)

Building viewed from interior

We introduced the wood frame-and-panel construction method for stores in September 2008. With this new method, which includes urethane insulating panels in walls and ceilings, the store becomes more airproof and better insulated, reducing power consumption by some 10%. Furthermore, compared with the conventional steel-frame construction method, significant reductions can also be achieved in CO_2 emissions at the processing stage. This method had been introduced at 102 stores as of March 2013.

Increasing efficiency through LED lighting and walk-in refrigerator measures

LED façade signage



Inverter lighting in walk-in refrigerators

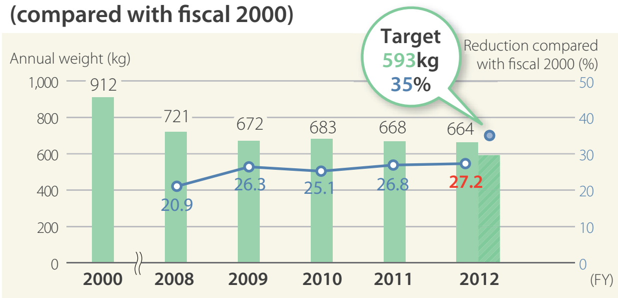
FamilyMart is working toward reducing power consumption through the use of LED lighting in façade signage, parking lots, and refrigeration display cases.

Also, through a switch to inverter-type lamps for lighting in walk-in refrigerators and a partial elimination of heaters for the prevention of condensation on glass, we have achieved a 75% reduction in walk-in refrigerator power usage.

Store management

Reducing use of plastic shopping bags

Plastic shopping bag use and reduction per store (compared with fiscal 2000)



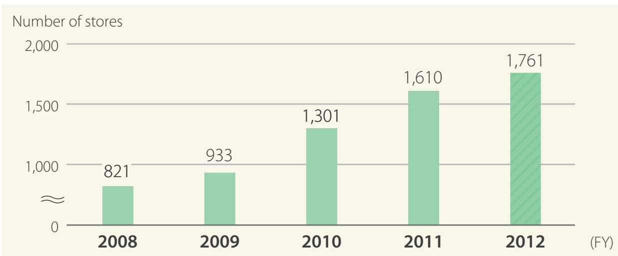
Since 2006, we have promoted the use of personal shopping bags through in-store posters and on-screen displays at the point of purchase and taken other steps to reduce the use of plastic shopping bags as part of the Plastic Shopping Bag Reduction Campaign sponsored by the Japan Franchise Association, an incorporated association.

Also, in cooperation with local authorities, we have introduced a no-bag card system at registers in some of our stores, and we will continue to promote this system to our customers.

In addition, we are working toward the target set by the Japan Franchise Association of a 10% reduction in plastic shopping bag usage per shopping trip in fiscal 2013 compared with fiscal 2010.

Recycling unsold ready-to-eat meals and reducing waste

Collection and recycling of organic waste at stores



In fiscal 1999, we began gradually introducing an organic-waste recovery and recycling system using outside contractors, with the aim of recycling waste food from our stores into fertilizer, animal feed, and methane.

As of fiscal 2012, we have introduced this system at 1,761 stores and we recycle 100% of our waste oil. We have raised the waste-food recycling rate to 51.2%, including measures to prevent waste arising in the first place, ahead of the food-retailing industry's self-set target of 45%. We produce only 25.1kg of waste food per ¥1 million of revenue, less than the convenience-store industry target of 44.1kg.

Reduction in waste food production target

Amount of waste food produced per ¥1 million of revenue

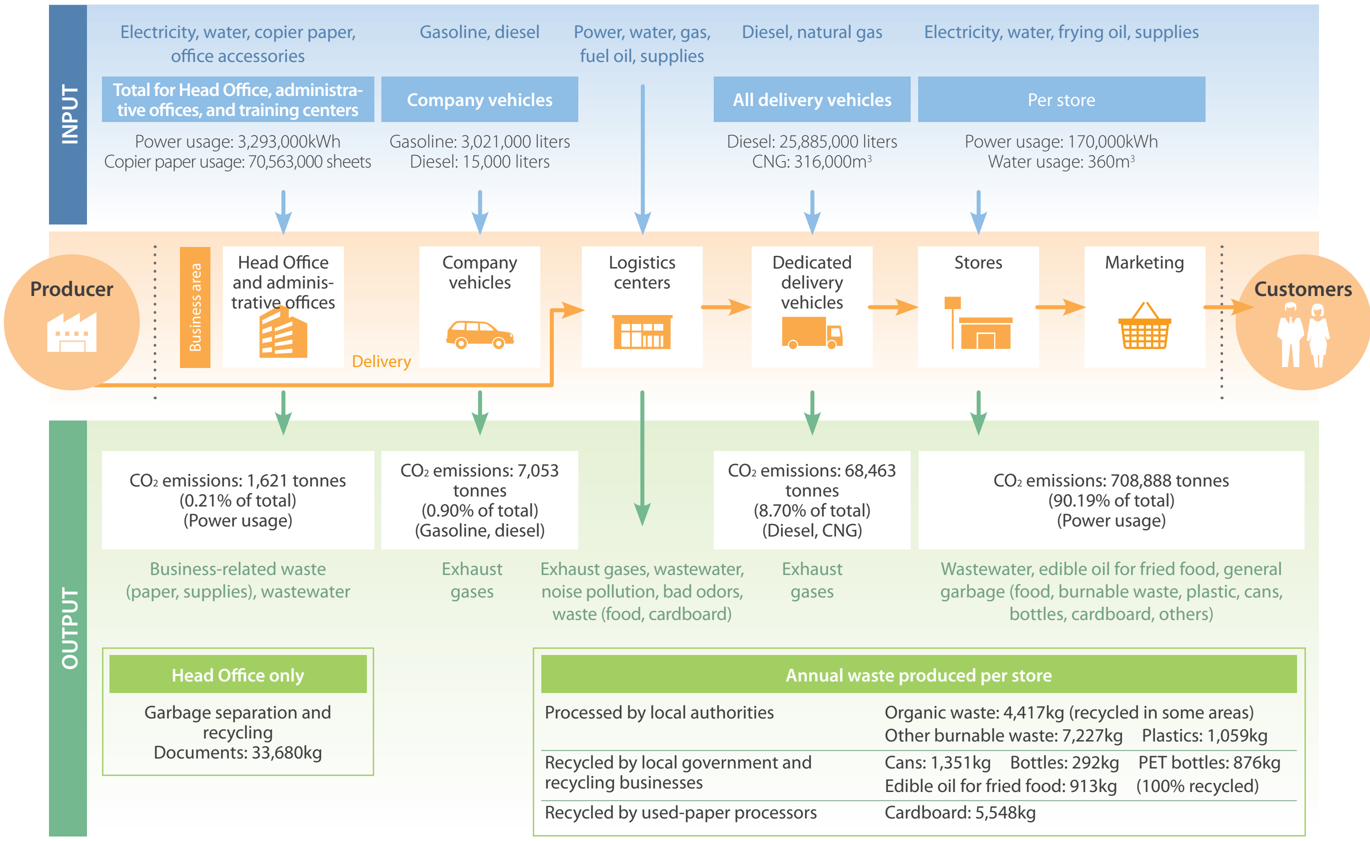
Fiscal 2012
25.1kg

* Food Recycling Law reduction target for convenience-store industry: 44.1kg per ¥1 million of revenue in fiscal 2012

Also, some of the edible waste from ready-to-eat meal production plants is collected and recycled into liquid feed for raising pigs. In fiscal 2011, we created a closed-loop, food-recycling system by using pork from these pigs in our products as part of our recycling efforts and to help ensure safe, secure, and delicious products in our stores.

FamilyMart's Material Flow

FamilyMart impacts the environment in various ways during the course of its business operations, such as through CO_2 emissions and the generation of waste and wastewater. By monitoring and reducing our environmental footprint, we are contributing to the creation of a sustainable society and the future development of our business.



Note on calculation of emission volumes

Details of power usage at our stores are collated in the bills sent to the Company every month by our electricity providers. In cases where in-house transformers are used at leased premises, our figures and calculations are based on power usage volumes recorded in the owner's electricity bills, but power usage at some stores is not always clear from these. In such cases, we have used average values. Delivery of products from logistics facilities to stores is outsourced. Hence, CO_2 emission volumes associated with diesel and CNG usage by dedicated delivery vehicles are based on data provided by the contractor companies.

Targets for fiscal 2013

In fiscal 2013, we will continue to seek to tackle areas we consider to have a significant environmental impact in stores (power usage, waste), logistics (CO_2 emissions from delivery vehicles), products (waste in product development and production), and offices (power usage, copier paper usage, Company vehicle gasoline usage).

(Excerpt)

	Targets	Quantitative targets
Products	Reduce waste and associated losses by increasing life of products / Reduce waste losses by 5%	Reduction to 95.0% compared with previous year
	Improve plant productivity and reduce losses due to product registration and reduced production of items to be discontinued / Reduce losses due to waste at plants by 10%	Reduction to 90.0% compared with previous year
	Consider altering one-third of delivery periods and implement as necessary	—
	Develop and sell "We Love Green" products within the "FamilyMart collection"	8 items per year
Logistic	Reduce CO_2 emissions per store associated with delivery	Reduction to 99.6% compared with previous year
	Reduce power usage (W) per ¥1 thousand of volume handled at fixed- and room-temperature centers	Reduction to 99.0% compared with previous year
Store facilities	Adopt in-store LED lighting at new and completely refurbished stores in fiscal 2013	Adoption rate: 80.0%
	Save energy by using LED lighting in parking lots / Adopt in 65% of all new stores	Adoption rate: 65.0%
Store management	Reduce store power usage	Reduction to 99.0% compared with previous year
	Increase food recycling	Recycling rate: 37.4%
	Reduce use of plastic shopping bags	Reduction to 90.0% compared with fiscal 2010
Offices	Reduce Head Office power usage	Reduction to 98.0% compared with previous year

FamilyMart's Promise to Customers as a Social and Lifestyle Infrastructure Provider

At FamilyMart, we have established independent quality management standards that are even more exacting than the statutory standards. We began steadily reducing food additives from 2002, and since January 2005 we have stopped using all kinds of preservatives, sweeteners, and synthetic colorings in our ready-to-eat items. While remaining committed to high quality and fine taste that satisfies our customers, we also strive to ensure peace of mind through food that is always safe.

Additionally, we listen to our customers' opinions and suggestions whether received through our free telephone service or through emails from personal computers and mobile phones. This customer feedback is shared on the Company intranet, thereby providing encouragement and contributing to the improvement of store operations and to the further satisfaction of our customers.

Safety and security

Applying the quality control system

Ingredients for rice-balls, sushi, *bento*, delicatessen items, salads, sandwiches, noodles, and other ready-to-eat items meeting FamilyMart's quality standards are supplied to production plants throughout Japan. All ingredients are tested on delivery to each plant, with rigorous observation of quality and hygiene management standards and rules regarding their application for every stage in the process from procurement and production to delivery and sale. While regularly updating our quality management standards, we are also committed to delivering safe, secure products every day by ensuring rigorous quality and hygiene management at all ready-to eat food production plants (outsourced), logistics centers, and stores.

Quality and hygiene management measures at FamilyMart

- Safe, secure raw material procurement of ingredients
- Reduced use of food additives
- Rigorous quality and hygiene management and upgrading measures
- Quality standards
- Bacteria and nutrition checks from external organizations

Ready-to-eat food production plants (outsourced)
- Quality and hygiene management for food products and facilities
- Hygiene management in production processes
- Hygiene management for production operatives
- Hygiene checks from external organizations (three times a year)

Logistics centers
- Temperature management in cold storage facilities for delivery vehicles
- Three trips per day
- Temperature management within logistics centers
- Hygiene checks from external organizations (once a year)

Stores
- Product information displays
- Temperature management
- Hygiene management
- Shelf-life management

Quality and hygiene management handbook

Working with suppliers

As part of our efforts to ensure safe, secure products, every other month we hold a "National Quality Control Conference" for quality control representatives from our suppliers. At this conference, there are presentations about key points concerning quality and hygiene management and case studies from each plant as well as seminars from outside speakers, enabling the sharing of know-how and bolstering plants' self-management.

Furthermore, prior to the launches of products in the "FamilyMart collection," which was inaugurated in fiscal 2012, food production plants and labeling are thoroughly checked.


Conducting training by inviting outside speakers to National Quality Control Conference

Providing detailed product information

On food labeling, in addition to the 7 food items requiring allergy warnings by law, we list 19 other recommended items so that customers can select products with peace of mind.

Customer feedback

Listening to customers

At FamilyMart, we have a customer service center that customers can contact by telephone, letter, the Internet, or mobile phone. All customer comments and requests are promptly relayed to the Customer Service Office, with representatives of the office and stores working together as required to quickly make necessary improvements. Also, all employees share customer opinions through the Company intranet and act on them, contributing to an increase in customer trust.

With the chain's expansion, the number of customers contacting us has increased, and in fiscal 2012 we were contacted a total of 40,569 times.

Listening to customer feedback

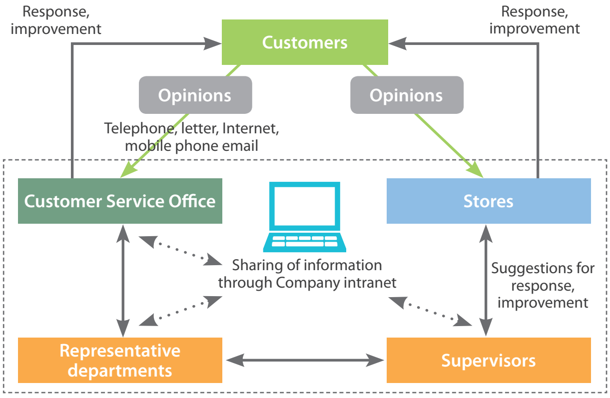
About half of all comments and requests received from customers are related to customer service, such as service at the cash register or employee manners, which would seem to indicate there is room for improvement in FamilyMart employees' attitude toward customers. We are working with our franchisees to achieve improvement in all stores.

In fiscal 2011, we introduced the store staff excellence award as an opportunity to praise employees for service, quality, and cleanliness (SQ&C) and hospitality in daily store operations. Highly capable staff members can help to bring about excellent customer service in the whole store.

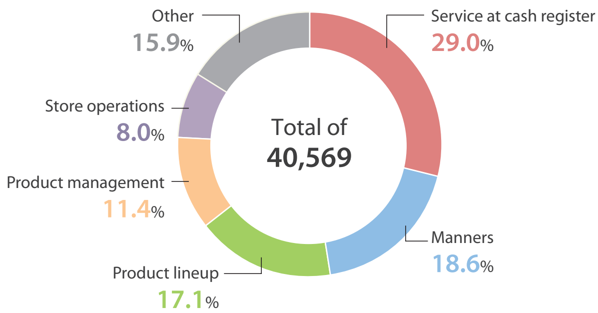
Customer feedback initiatives

Fiscal year	Initiative
Before fiscal 2008	Contact by free telephone line, email
Fiscal 2009	Contact by mobile phone email becomes possible
Fiscal 2010	Upgrade of FAQ search function
Fiscal 2013	Call center and operator expansion, with training system and improvement in work environment to enhance quality of response

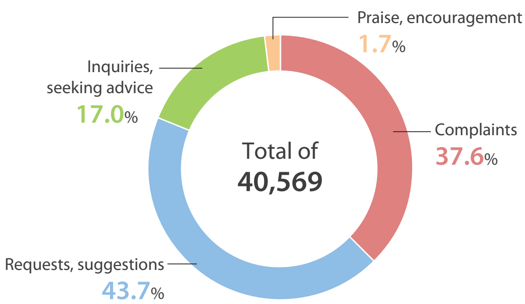
System connecting customers' comments with improvements



Contact to Customer Service Office by subject in fiscal 2012



Contact to Customer Service Office by type in fiscal 2012



Taking encouragement from customers' praise

Four times a year, we produce materials that cite examples of good hospitality and praise from customers so FamilyMart Head Office and store employees can take encouragement from customers' appreciation and be inspired to meet customer expectations. Individual employee motivation is boosted by sharing customer feedback, and we will continue to work to make our stores as hospitable as possible.

Materials featuring examples of hospitality and praise

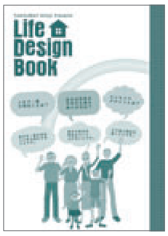
FamilyMart's Responsibility regarding Employment and Labor Practices

FamilyMart respects its employees' independence and ambitions and aims to create a workplace where they feel a sense of purpose in their lives and work. We are developing systems and mechanisms that enable individual employees to give free rein to their creativity and receptiveness to challenges, with a resultant increase in vibrancy within the Company. At the same time, we seek to draw on the strengths of our employees and to respect their lifestyles. Since fiscal 2010, we have adopted a transfer and relocation framework that allows employees to refuse relocation or to request postponement based on personal circumstances, such as child-rearing and care obligations.

Through the provision of various systems and mechanisms, we are supporting employees as they balance work and personal life.

Human Rights and Diversity Activities

Achieving a work-life balance



Life Design Book

To add to our appeal as a company, we are pursuing a variety of initiatives that allow employees to dedicate themselves to their jobs while feeling a sense of purpose in their lives and work and achieving a work-life balance. Such initiatives include producing a work-life balance handbook, holding joint labor and management work-life balance seminars, and distributing a practical guide to developing more efficient working habits.

Employees making use of various employment systems

	2010/2	2011/2	2012/2	2013/2
Maternity and childcare leave	17(8)	21(12)	31(13)	37(13)
Reduced working hours for childcare	25	32	32	39
Care leave	0	0	3	1
Designated area system	—	27	47	52
Deferred relocation system	—	23	20	1

* Of the 15 employees that gave birth in fiscal 2012, 13 took maternity and childcare leave.
* ( ): Number of employees who commenced childcare leave that year

Also, to support employees with their child-rearing and care obligations, we have created frameworks for maternity and childcare leave, reduced working hours for childcare, and care leave as well as introduced a work transfer and relocation framework.

Employment of people with disabilities and re-employment of retirees

FamilyMart is taking steps to steadily improve the retention rate for people with disabilities through follow-up procedures after joining the Company and by strengthening partnership arrangements with support groups. At the same time, we are expanding recruitment parameters and the range of workplaces where people with disabilities can be deployed. Our disabled hiring rate is 1.96% as of March 1, 2013, clearing the statutory threshold.

Also, in consideration of rising numbers of retirees, amid the rapid aging of the population and the entry of the baby boomer generation into their twilight years, and of the reduction in the working population, in fiscal 2006 the Company created a re-employment framework for older workers.

Employmente for people with disabilities (%)

Year	Employment rate
2011/3	1.83
2012/3	1.99
2013/3	1.96

Number of employees re-employed after retirement

FY	Number of employees
2010	23(8)
2011	24(5)
2012	29(9)

* ( ): Number of employees newly re-employed that year

Building a better working environment

Mental healthcare

As part of mental healthcare support from outside bodies, employees receive regular stress checks.

As post-diagnostic support, a free counseling service is available through telephone or face-to-face consultation as well as interviews with occupational health counselors and doctors.

Also, we are making efforts to improve the Company's working environment by assessing information accumulated through these activities.

In these ways, we are supporting employees in maintaining good health.

Labor and management activities

The FamilyMart Union is a "union shop" type union with a total membership of 2,754, as of February 28, 2013. FamilyMart actively pursues various initiatives to ensure union members remain supportive of the Company in its growth. Also, through such activities as work-life balance seminars, FamilyMart provides a venue for labor and management to exchange opinions and seeks to improve the working environment for all employees.

Corporate Governance

Corporate Governance and Internal Control System

Based on our belief that strong corporate governance builds enterprise value, we are working to construct a transparent and effective management system. To this end, we are working to establish a system to ensure legal compliance and the accurate performance of clerical work. In addition, to ensure proper corporate governance, it is essential to fulfill our duty of accountability through regular disclosure of corporate information.

Corporate Governance

About Corporate Governance

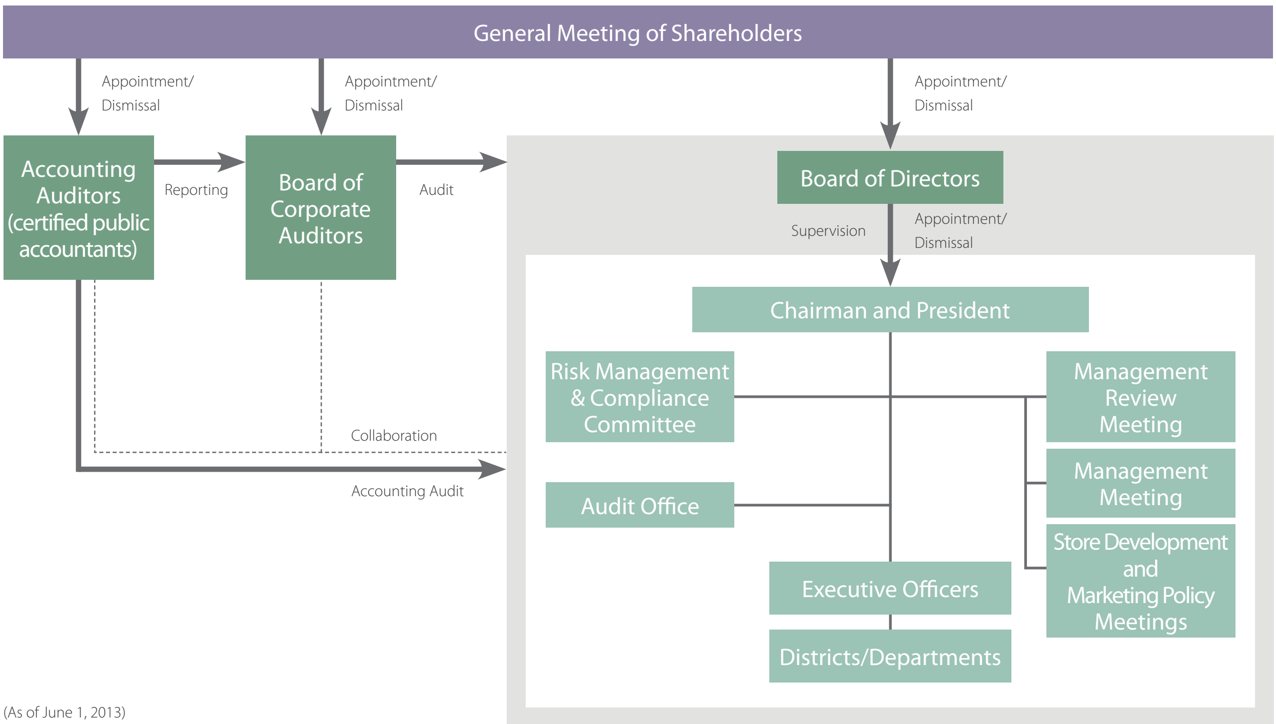
As of June 1, 2013, the Company's Board of Directors comprises 10 directors who make decisions regarding important matters affecting the Company's business operations and perform supervisory duties. FamilyMart has adopted the executive officer system to speed up the taking of decisions concerning operations and their execution.

We have also set up the Risk Management & Compliance Committee to coordinate risk management systems and strengthen our mechanisms for the observance of all laws and ethical norms and a specialist department to establish a fully effective internal control system and entrench corporate governance at FamilyMart.

The Company's internal auditing unit, the Audit Office examines efficiency of performance, risk management, and compliance and reports directly to the Company's president. The office also conducts thorough checks on progress in the implementation of Audit Office directives and proposals.

FamilyMart has adopted the corporate auditor system. As of June 1, 2013, the Board of Corporate Auditors consists of four members, of whom three are outside corporate auditors. The auditors attend meetings of the Board of Directors and other high-level managerial meetings and inspect the state of the Company's business operations and financial position by reading documents on important management decisions and hearing reports from the Audit Office and accounting auditors.

Corporate governance system



(As of June 1, 2013)

Overview of the Governance System

Important decisions about business operations and supervisory duties	Monthly meetings of Board of Directors
Directors' term of office	1 year
Outside directors	Not appointed
Reasons for not appointing outside directors	FamilyMart does not appoint outside directors, but the Company believes that the supervisory functions performed by the Board of Directors and the monitoring functions performed by the directors are working effectively. Furthermore, the corporate auditors, including the outside corporate auditors, are responsible for performing the auditing of the execution of operations by the directors, and we believe that those functions are being adequately fulfilled.
Auditors' term of office	4 years
Number of outside corporate auditors designated independent directors	2

Reasons for Appointing Outside Auditors

Name	Reason for appointment	Attendance rate at fiscal 2012 Board of Directors' meetings	Attendance rate at fiscal 2012 Corporate Auditors' meetings
Noriki Tanabe	Noriki Tanabe was appointed to apply his long experience and wisdom from many years in the business community.	100%	100%
Mika Takaoka	Mika Takaoka was appointed to apply her long experience and wisdom from many years in the academic community. Also, as she fulfills the conditions for being an independent director and there is no possibility of a conflict of interest arising with general shareholders, she was selected as an independent director.	90%	100%
Shuji Iwamura	Shuji Iwamura was appointed to apply his long experience and wisdom from many years in the legal community. Also, as he fulfills the conditions for being an independent director and there is no possibility of a conflict of interest arising with general shareholders, he was selected as an independent director.	—	—

Note: Shuji Iwamura was elected to the Board of Corporate Auditors at the 32nd Ordinary General Meeting of Shareholders on May 23, 2013.

Remuneration for Directors, Corporate Auditors, and Independent Auditors

Remuneration for directors and corporate auditors is approved at a General Meeting of Shareholders, within predetermined monetary limits.

Remuneration for directors comprises two elements: a basic monthly salary and a fund-based cumulative payment made at the time of retirement. The basic monthly salary comprises a fixed sum and an element based on consolidated net earnings for the term in question—in other words, a performance-linked payment. Part of this basic monthly salary is paid to executive employees under a management stock ownership plan.

Remuneration for standing corporate auditors also comprises two elements: a fixed monthly payment of a basic salary and a fund-based cumulative payment made at the time of retirement.

Compensation for part-time corporate auditors is a fixed payment only, comprising the monthly basic salary.

Remuneration for executives

	Total paid (¥ million)	Total paid in various different forms (¥ million)				No. of payment recipients
		Basic salary	Stock options	Bonuses	Retirement benefits	
Directors (except outside directors)	461	461	—	—	—	11
Corporate auditors (except outside corporate auditors)	22	22	—	—	—	2
Outside corporate auditors	37	37	—	—	—	3

Note: The above figures include one corporate auditor who announced retirement at the end of the 31st Ordinary General Meeting of Shareholders held on May 24, 2012.

Compensation for corporate auditors

	Fiscal 2011		Fiscal 2012	
	Compensation based on audit and attestation (¥ million)	Compensation for non-audit services (¥ million)	Compensation based on audit and attestation (¥ million)	Compensation for non-audit services (¥ million)
FamilyMart	88	1	82	2
Consolidated subsidiaries	3	—	2	—
Total	91	1	84	2

Note: Non-audit services consist of advisory and other duties regarding international financial reporting standards.

Internal Control Initiatives

Structure of the Internal Control System

FamilyMart set up the Internal Control Department, based on its Board-approved basic policy on the creation of a more effective internal control system, to oversee the work of constructing a fully effective internal control system. At the same time, the Risk Management & Compliance Committee is responsible for reviewing the adequacy and operational status of the Company's internal controls.

Ensuring Adequacy of the Internal Control System

The Internal Control Department principally undertakes the following measures in its capacity as Companywide coordinator for compliance, internal controls relating to financial reporting, and risk and information management.

Compliance

The Company has established the FamilyMart Ethics and Compliance Basic Guidelines, the Three-Point Compliance Action Guidelines, and the Compliance Code of Conduct. The introduction of an internal reporting system, through which ethical and legal issues may be flagged up, has enabled us to strengthen our ethical and legal compliance.

Further, we are working to provide education, including e-learning, on a Companywide basis to raise the compliance awareness of our employees and franchised stores.

The franchise and chain headquarters is also working hard to ensure fair trading and the provision of safe and reliable products and services by undertaking employee education and conducting store training and inspections about the Antimonopoly Act, the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, the Tobacco Business Act, the Act Prohibiting Smoking and Drinking by Minors, the Labor Standards Act, and other applicable laws.

FamilyMart Ethics and Compliance Basic Guidelines

Financial Reporting

We have established in-house regulations and reviewed our internal controls to improve the quality of our financial reporting, including securities reports. We are taking systematic measures to eliminate the risk of false data being recorded as significant information in our financial statements.

Business Continuity Plan (BCP)

We developed this plan so that in the event of a major natural disaster or other emergency situation occurring, we will be able to fulfill our mission to customers as a convenience store by continuing the convenience-store business or at least restoring the operation of stores as quickly as possible. The executive officers and employees will respond to major natural disasters and other emergency situations based on this plan, with the aims of minimizing damage and shortening the restoration time.

Acquisition of Privacy Mark

In November 2006, FamilyMart became the first convenience-store operator in Japan to be certified to use the Privacy Mark. Subsequently, permission to display the mark was extended to our e-commerce subsidiary famima.com Co., Ltd., and to Famima Retail Service Co., Ltd. Through standards more rigorous than legal requirements, we are bolstering our information management in such areas as personal information protection.

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Privacy Mark

FamilyMart's Risk Management

Yoshiki Miyamoto

Managing Director,
Management Division

Managing Risk

FamilyMart is extremely thorough in all aspects of its operations; risk management is no exception.

For a food retailer, if food quality and safety cannot be assured there is clearly a direct risk of brand damage, and as such FamilyMart has implemented particularly strict quality control standards.

Also, with around 9,000 conventional stores in Japan, including franchised stores, FamilyMart requires a specific risk management system for franchise systems to monitor quality control—not only of products but also in store operations, including customer service.

The trust network with franchisees entails both risks and opportunities depending on how it is handled, making it an important factor in the Company's growth strategies. FamilyMart attaches a high value to its trust network, striving to deepen ties through various activities, such as the annual policy announcement meeting. FamilyMart also shares its vision and principles with franchised store employees through the "FamilyMart Feel" campaign. The clearest expression of the Company's management policies, and one of FamilyMart's great strengths, is the spirit of "Co-Growing," the way in which FamilyMart works to develop and grow with franchisees, business partners, and employees.

Regarding procurement, a stable supply system and a cautious approach to food safety risks are essential, and FamilyMart has implemented thorough policies for ensuring the safe and secure supply of materials.

Increased Risk Management Matching the Stage of Growth

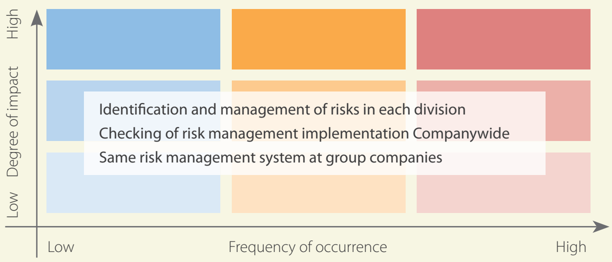
FamilyMart has continually developed and applied new rules and regulations in line with the growth of its business.

Since 2006, FamilyMart has compiled a risk map for the whole company, with both the degree of impact on the vertical axis and the frequency of occurrence on the horizontal axis divided into three levels. Risks in each of the Company's divisions, including the Merchandising Division and the Logistics & Quality Control Division, are identified and managed appropriately. FamilyMart monitors changes in the business environment carefully, selects the most important risks to focus on countering each fiscal year, and checks implementation of risk management throughout the Company while applying the PDCA (plan, do, check, act) cycle and increasing the precision of its risk management. Also, this same risk management system is used at FamilyMart's group companies.

Overseas, we enter into partnerships with strong and credible local companies, following a basic policy of forming joint-venture companies while participating in management planning and drawing up a local business model. Different risk approaches are required, depending on the location, but as we accelerate our overseas expansion we are enhancing our risk management further.

Just as other retail companies, FamilyMart had implemented investment management standards, mainly for assessing payout times. However, recognizing the need for balance-sheet-based management to match consolidated management, in fiscal 2012 the Company adopted Investment and Loan Management Rules. These investment standards allow for quantitative and analytical decisions about acceptable limits to risk exposure, from an assessment of returns and balance after multiplying risk weight, which takes into account the inherent risks of a location, by investment amount (assets). FamilyMart has formed a specialist organization and is adopting standards and assessing investment and loans in each field and monitoring the situation after investment is complete.

Preparation and application of risk map



"Just Like Breathing"

The Company believes the risk management process to be fundamental to its continued growth, in the same way that thorough service, quality, and cleanliness, personal information management, and a trust network with franchisees are important factors in its growth strategy. As Chairman Ueda says, "Risk management is necessary, just like breathing," and we will continue in the FamilyMart spirit to steadily enhance our risk management.

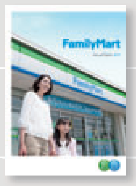
IR Activities

Basic Guidelines for IR Activities

Under the firm leadership of its top management, FamilyMart is committed to ensuring that its investor relations activities respect its policy of simple and forthright disclosure characterized by accuracy, promptness, and impartiality.

Fiscal 2012 IR Activities Report

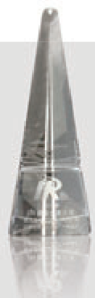
Meetings for analysts and institutional investors	Held twice a year (interim and year-end results) Explanation of business results and management strategies
Briefing sessions	Four times a year (product strategies, store construction, etc.)
Other meetings	About 300 times a year
Domestic and international conferences hosted by securities companies	10 times a year
Overseas IR activities	Visits to important investors in the U.S., Europe, and Asia for briefing sessions Explanation of business results and management strategies
Briefings for individual investors	Seminars given by senior IR executives to sales staff at securities companies
Major communication tools	Annual reports Semi-annual reports IR reports for employees (published every quarter)

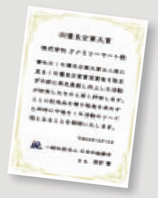

Annual Report

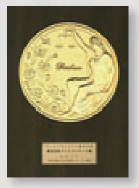

Semi-annual report for individual shareholders published after the second quarter and at fiscal year-end

Major External Appraisals

Japan Investor Relations Association	Fiscal 2006	11th Best IR Award
	Fiscal 2010	15th Best IR Award
	Fiscal 2011	16th IR Grand Prix (first retail company to receive the award)
Securities Analysts Association of Japan	Fiscal 2008	FamilyMart was sole recipient in retail sector of certificate of merit for fiscal 2008, as a "company that maintains a consistently high level of disclosure" in the disclosure rankings by the Securities Analysts Association of Japan
	Fiscal 2011	FamilyMart came first among all 17 companies competing in the "Retailing" category in the Excellence in Corporate Disclosure Awards for fiscal 2011
NIKKEI Annual Report Awards organized by Nikkei Inc.	Fiscal 2009	Honorable mention
	Fiscal 2010	Awarded a prize
	Fiscal 2011	Honorable mention
	Fiscal 2012	Honorable mention
Institutional Investor, All-Japan Executive Team Ranking	Fiscal 2012	Sell-side analysts' assessment, No. 1; Buy-side analysts' assessment, No. 3







The FTSE4Good Index Series

In September 2003 FamilyMart Co., Ltd. became a member of the FTSE4Good Index Series. This is an equity index series created by the global index company FTSE Group and is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards with respect to social, ethical, and environmental criteria. The index is targeted at investors who have a strong interest in supporting companies that contribute to the realization of a sustainable society.

FTSE4Good

Board of Directors, Executive Officers, and Corporate Auditors

(As of June 1, 2013)

Junji Ueda
Chairman and Chief Executive Officer

Isamu Nakayama
President

Yoshiki Miyamoto
Senior Managing Director and Senior Managing Executive Officer

Toshio Kato
Managing Director and Managing Executive Officer

Motoo Takada
Managing Director and Managing Executive Officer

Masaaki Kosaka
Managing Director and Managing Executive Officer

Akinori Wada
Managing Director and Managing Executive Officer

Yukihiko Komatsuzaki
Managing Director and Managing Executive Officer

Hiroaki Tamamaki
Managing Director and Managing Executive Officer

Noboru Takebayashi
Director and Managing Executive Officer

Standing Corporate Auditors

Noriki Tanabe
Shintaro Tateoka

Corporate Auditors

Mika Takaoka
Shuji Iwamura

Managing Executive Officers

Kazushige Ueno
Mitsuji Hirata
Yoshihito Nakahira

Senior Executive Officers

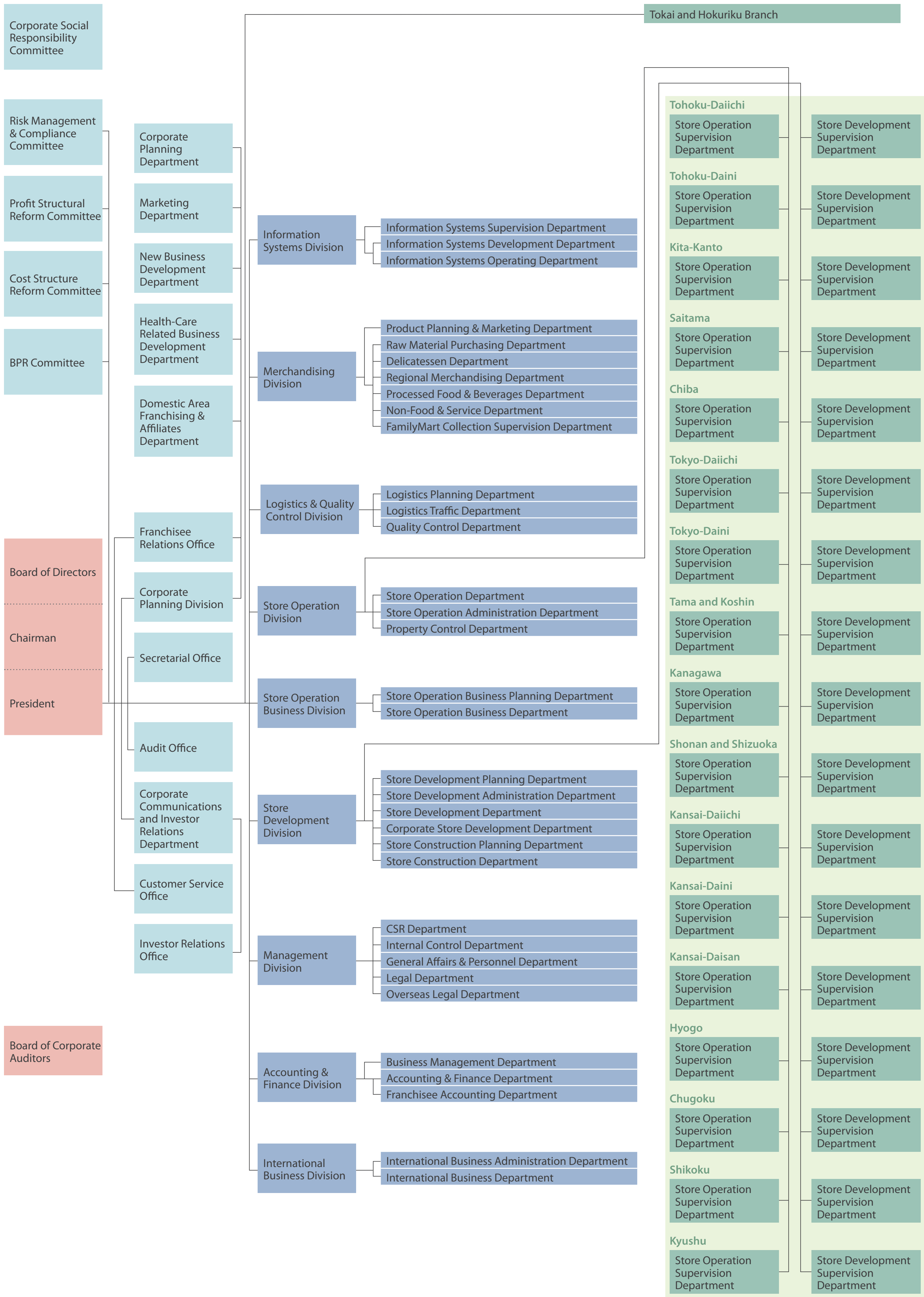
Katsuo Ito
Kimichika Iwakiri
Minoru Aoki
Teruo Kuramata
Makoto Sugiura

Executive Officers

Hisashi Suzuki
Masami Fujimori
Takehiko Kigure
Masanori Sugiura
Toru Ichikawa
Naomi Maruyama
Kiyoshi Kikuchi
Hideki Miura
Yoshikazu Onozuka
Tomoaki Ikeda
Takashi Iizuka
Yoshiaki Uematsu
Yoshiki Sakazaki
Kenji Misawa
Junichi Yamashita
Atsushi Inoue
Hiroshi Sawada
Junichi Maenishi
Eiji Morita
Toshiya Yoshida
Kuniaki Abe

Organization

(As of June 1, 2013)



Data and Financial Section

Retail Sector Data

Sales of Retail Sector

(Billions of yen)

	07/3	08/3	09/3	10/3	11/3	12/3	13/3
Entire retail sector	135,055	135,674	134,142	133,555	135,564	136,709	**137,187**
Department stores	8,611	8,429	7,844	7,054	6,727	6,723	**6,649**
Supermarkets	12,564	12,824	12,815	12,513	12,852	12,978	**12,905**
Convenience stores	7,421	7,516	8,056	7,938	8,266	8,976	**9,542**

Principal Indicators of Convenience-Store Industry

Aggregate Figures for All Convenience Stores in Japan

	07/2	08/2	09/2	10/2	11/2	12/2	13/2
Number of stores	44,367	44,522	45,188	46,377	47,059	48,414	**50,952**

Total Store Sales (non-consolidated)

(Billions of yen)

	07/2	08/2	09/2	10/2	11/2	12/2	13/2
FamilyMart	**1,069**	**1,122**	**1,246**	**1,274**	**1,440**	**1,535**	**1,585**
Seven-Eleven Japan	2,534	2,574	2,763	2,785	2,948	3,281	3,508
LAWSON	1,378	1,403	1,506	1,472	1,503	1,621	1,693
Circle K Sunkus	873	860	891	852	855	896	879

Number of Stores (only in Japan, includes stores under area franchisers)

	07/2	08/2	09/2	10/2	11/2	12/2	13/2
FamilyMart	**6,974**	**7,187**	**7,404**	**7,688**	**8,248**	**8,834**	**9,481**
Seven-Eleven Japan	11,735	12,034	12,298	12,753	13,232	14,005	15,072
LAWSON	8,564	8,587	9,527	9,761	9,994	10,457	11,130
Circle K Sunkus	6,336	6,139	6,166	6,219	6,274	6,169	6,242

Growth Rate of Average Daily Sales of Existing Stores (non-consolidated)

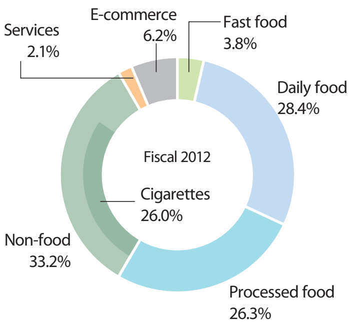
(%)

	07/2	08/2	09/2	10/2	11/2	12/2	13/2
FamilyMart	**(1.4)**	**0.9**	**7.1**	**(2.4)**	**(0.2)**	**4.4**	**(1.6)**
Seven-Eleven Japan	(1.9)	(1.5)	5.2	(2.1)	2.2	6.7	1.3
LAWSON	(1.8)	(0.8)	6.5	(4.1)	0.8	5.4	0.0
Circle K Sunkus	(3.3)	(1.8)	4.1	(5.6)	(1.4)	3.1	(4.8)

Sources: Convenience Store Sokuho, Ryutsu Sangyo Shinbunsha for number of stores; Retail Statistical Yearbook, Ministry of Economy, Trade and Industry, and documents released by each company

Products (non-consolidated)

Sales by Product Category



Category	Products
Fast food	Fried chicken, steamed meat buns, *oden*, french fries, croquettes, etc. made and sold over the counter
Daily food	*Bento* products, noodles, sandwiches, delicatessen, desserts, etc.
Processed food	Beverages, liquor, instant noodles, confectionery, seasonings, etc.
Non-food	Magazines, daily goods, cigarettes, etc.
Services	Copy service, express service, etc.
E-commerce	Ticket sales by Famiport (multimedia terminals)

Breakdown of Sales by Product Category

(Millions of yen)

	10/2			11/2			12/2			13/2		
		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)		YoY (%)	Share (%)
Fast food	46,585	(0.8)	3.7	47,939	2.9	3.5	52,939	10.4	3.5	**59,850**	**13.1**	**3.8**
Daily food	381,012	(1.5)	29.8	400,686	5.2	29.6	428,645	7.0	28.4	**448,593**	**4.7**	**28.4**
Processed food	358,576	(0.4)	28.2	377,633	5.3	28.0	399,341	5.7	26.4	**417,404**	**4.5**	**26.3**
Liquor (License goods)	64,142	(2.0)	5.0	64,506	0.6	4.8	65,413	1.4	4.3	**67,753**	**3.6**	**4.3**
Food sub-total	786,173	(0.9)	61.7	826,258	5.1	61.1	880,925	6.6	58.3	**925,847**	**5.1**	**58.5**
Non-food	391,829	6.2	30.8	423,276	8.0	31.3	511,627	20.9	33.8	**526,742**	**3.0**	**33.2**
Cigarettes (License goods)	284,502	8.9	22.3	315,683	11.0	23.4	400,197	26.8	26.5	**412,414**	**3.1**	**26.0**
Services	28,890	1.9	2.3	30,561	5.8	2.3	32,716	7.1	2.2	**33,119**	**1.2**	**2.1**
E-commerce	66,860	22.1	5.2	71,375	6.8	5.3	86,447	21.1	5.7	**98,654**	**14.1**	**6.2**
Total	1,273,752	2.2	100.0	1,351,470	6.1	100.0	1,511,715	11.9	100.0	**1,584,362**	**4.8**	**100.0**

Note: The figures above do not reflect the performance results of the am/pm stores before brand conversion to FamilyMart stores and ASD machines.

Gross Profit Ratio

(%)

	10/2		11/2		12/2		13/2		14/2 (Est.)	
		YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Fast food	50.96	0.35	51.92	0.96	52.25	0.33	**52.74**	**0.49**		
Daily food	35.23	0.20	35.80	0.57	36.19	0.39	**36.35**	**0.16**		
Processed food	35.68	0.51	36.63	0.95	37.29	0.66	**37.82**	**0.53**		
Liquor (License goods)	24.25	0.28	24.41	0.16	24.59	0.18	**24.80**	**0.21**		
Food sub-total	36.37	0.35	37.11	0.74	37.66	0.55	**38.07**	**0.41**		
Non-food	16.43	(0.46)	16.50	0.07	15.45	(1.05)	**15.60**	**0.15**		
Cigarettes (License goods)	10.49	—	11.07	0.58	10.48	(0.59)	**10.50**	**0.02**		
Services	11.74	(0.74)	11.16	(0.58)	9.89	(1.27)	**9.83**	**(0.06)**		
E-commerce	3.42	(0.18)	3.45	0.03	3.37	(0.08)	**3.69**	**0.32**		
Total	27.96	(0.44)	28.31	0.35	27.59	(0.72)	**27.89**	**0.30**	28.30	0.41

Note: The figures above do not reflect the performance results of TOMONY, am/pm stores before brand conversion to FamilyMart stores and ASD machines.

Business Performance (non-consolidated)

Business Performance

		10/2		11/2		12/2		13/2		14/2 (Est.)	
			YoY difference		YoY difference		YoY difference		YoY difference		YoY difference
Average daily sales (thousands of yen)	Total stores	498	(10)	505	7	531	26	**523**	**(8)**	527	4
	Existing stores	501	(9)	502	1	531	29	**527**	**(4)**	532	5
	New stores	439	(21)	564	125	521	(43)	**429**	**(92)**	450	21
Number of customers	Total stores	923	2	944	21	961	17	**950**	**(11)**	956	6
	Existing stores	926	4	932	6	956	24	**956**	**—**	965	9
Spend per customer (yen)	Total stores	540	(11)	534	(6)	552	18	**551**	**(1)**	551	—
	Existing stores	540	(13)	539	(1)	556	17	**551**	**(5)**	552	1
Growth rate of average daily sales of existing stores (%)		(2.4)		(0.2)		4.4		**(1.6)**		1.0	
Average inventory (thousands of yen)		5,669	(84)	5,744	75	5,997	253	**6,221**	**224**	6,310	89
Turnover of goods (times)		31.6	(0.1)	31.3	(0.3)	31.4	0.1	**29.7**	**(1.7)**	28.8	(0.9)

Note: The figures above do not reflect the performance results of the TOMONY stores and am/pm stores before brand conversion.

Bill Settlement Service

	10/2		11/2		12/2		13/2	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Transaction volume (millions of yen)	1,442,621	8.3	1,604,653	11.2	1,680,078	4.7	**1,791,706**	**6.6**
Number of transactions (thousands)	154,956	4.7	171,978	11.0	177,823	3.4	**186,852**	**5.1**

Note: The figures above do not reflect the performance results of the am/pm stores before brand conversion.

Stores

Number of Stores by Region

Taiwan 2,851
South Korea 8,001
Thailand 806
China 989
U.S.A. 9
Vietnam 39
Indonesia 5
Hokkaido 58

FamilyMart stores
Area franchising stores

Total: 22,181 stores

As of February 28, 2013

Ishikawa 82
Aomori 47
Iwate 101
Yamaguchi 52
Shimane 47
Tottori 47
Kyoto 199
Fukui 92
Akita 58
Miyagi 216
Hiroshima 179
Okayama 102
Hyogo 352
Shika 115
Toyama 74
Niigata 58
Yamagata 92
Fukushima 132
Nagasaki 139 / 5
Fukuoka 307 / 79
Osaka 890
Gifu 92
Nagano 74
Gunma 88
Tochigi 134
Ibaraki 195
Saga 56 / 5
Oita 65 / 19
Ehime 98
Kagawa 85
Nara 66
Aichi 476
Yamanashi 70
Saitama 486
Tokyo 1,712
Kumamoto 103 / 19
Miyazaki 88
Kochi 37
Tokushima 59
Wakayama 71
Mie 133
Shizuoka 204
Kanagawa 667
Chiba 420
Okinawa 220
Kagoshima 216

Number of Stores

	10/2		11/2		12/2		13/2		14/2 (Est.)	
	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference	Number of stores	YoY difference
Company-owned stores	434	(35)	437	3	387	(50)	**397**	**10**	374	(23)
Type 1	4,086	225	4,487	401	5,013	526	**5,475**	**462**		
(TOMONY)	33	11	38	5	45	7	**57**	**12**		
Type 2	2,638	77	2,705	67	2,764	59	**2,900**	**136**		
Franchised stores	6,724	302	7,192	468	7,777	585	**8,375**	**598**	9,548	1,173
FamilyMart stores	7,158	267	7,629	471	8,164	535	**8,722**	**608**	9,922	1,150
Okinawa FamilyMart Co., Ltd.	201	1	203	2	212	9	**220**	**8**		
Minami Kyushu FamilyMart Co., Ltd.	289	6	284	(5)	291	7	**304**	**13**		
Hokkaido FamilyMart Co., Ltd.	40	10	45	5	52	7	**58**	**6**		
JR KYUSHU RETAIL, INC.			87	87	115	28	**127**	**12**		
Domestic area franchising stores	530	17	619	89	670	51	**709**	**39**	785	76
Domestic chain stores	7,688	284	8,248	560	8,834	586	**9,481**	**647**	10,707	1,226
Taiwan	2,424	88	2,637	213	2,809	172	**2,851**	**42**	2,900	49
South Korea	4,743	563	5,511	768	6,910	1,399	**8,001**	**1,091**	8,607	606
Thailand	565	40	622	57	687	65	**806**	**119**	977	171
Shanghai	287	122	442	155	639	197	**741**	**102**	750	9
Guangzhou	46	29	88	42	121	33	**146**	**25**	138	(8)
Suzhou	26	14	36	10	48	12	**70**	**22**	75	5
Hangzhou					5	5	**17**	**12**	26	9
Chengdu							**15**	**15**	32	17
China sub-total	359	165	566	207	813	247	**989**	**176**	1,021	32
United States	9	(3)	10	1	8	(2)	**9**	**1**	10	1
Vietnam	1	1	4	3	18	14	**39**	**21**	89	50
Indonesia							**5**	**5**	37	32
The Philippines									30	30
Overseas area franchising stores	8,101	854	9,350	1,249	11,245	1,895	**12,700**	**1,455**	13,671	971
Total area franchising stores	8,631	871	9,969	1,338	11,915	1,946	**13,409**	**1,494**	14,456	1,047
Total chain stores	15,789	1,138	17,598	1,809	20,079	2,481	**22,181**	**2,102**	24,378	2,197

Number of Store Openings and Closures (non-consolidated)

	10/2			11/2			12/2			13/2			14/2 (Est.)		
	Openings	Closures	Net increase	Openings	Closures	Net increase	Openings	Closures	Net increase	Openings	Closures	Net increase	Openings	Closures	Net increase
FamilyMart	534	278	256	407	270	137	542	316	226	**888**	**292**	**596**	1,500	350	1,150
TOMONY	11	—	11	5	—	5	7	—	7	**12**	**—**	**12**			
Conversion am/pm —> FamilyMart				329	—	329	302	—	302						
Total	545	278	267	741	270	471	851	316	535	**900**	**292**	**608**	1,500	350	1,150

Capital Expenditure

Non-Consolidated

(Millions of yen)

	10/2		11/2		12/2		13/2		14/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Leasehold deposits	14,579	(1.3)	10,108	(30.7)	13,165	30.2	**20,761**	**57.7**	26,000	25.2
New stores	4,298	1.3	4,742	10.3	6,237	31.5	**9,523**	**52.7**	25,327	166.0
Existing stores	2,264	44.7	1,865	(17.6)	2,525	35.4	**2,190**	**(13.3)**	3,902	78.2
For stores	6,562	13.0	6,607	0.7	8,762	32.6	**11,713**	**33.7**	29,229	149.5
Head office investment	104	(57.3)	246	138.8	468	89.7	**351**	**(25.0)**	1,176	235.2
System investment	3,771	(5.1)	3,232	(14.3)	2,858	(11.6)	**3,439**	**20.3**	4,983	44.9
For head office	3,875	(8.1)	3,478	(10.2)	3,326	(4.4)	**3,789**	**13.9**	6,159	62.5
Lease	9,212	—	15,696	70.4	13,525	(13.8)	**15,190**	**12.3**	32,446	113.6
Total capital expenditure	34,228	38.1	35,889	4.9	38,778	8.0	**51,454**	**32.7**	93,833	82.4
Depreciation and amortization expense	7,343	21.2	9,711	32.2	13,016	34.0	**15,463**	**18.8**	20,700	33.9

Note: Due to the adoption of the new lease accounting standards (Accounting Standard for Lease Transactions), capital expenditure and depreciation amounts included those for lease assets.

Consolidated

(Millions of yen)

	10/2		11/2		12/2		13/2		14/2 (Est.)	
		YoY (%)		YoY (%)		YoY (%)		YoY (%)		YoY (%)
Total capital expenditure	40,290	38.1	40,303	0.0	46,324	14.9	**60,481**	**30.6**	102,198	69.0
Depreciation and amortization expense	10,339	6.9	12,582	21.7	16,190	28.7	**19,006**	**17.4**	24,781	30.4

Consolidated Subsidiaries

Main Consolidated Subsidiaries

(Millions of yen)

		11/2			12/2			13/2		
	Shares	Operating revenues	Operating income	Net income	Operating revenues	Operating income	Net income	Operating revenues	Operating income	Net income
Taiwan FamilyMart Co., Ltd.	**43.50%**	25,120	3,109	2,601	28,616	3,208	2,723	**31,685**	**3,120**	**2,326**
Siam FamilyMart Co., Ltd.Note 2, 3	**88.52%**	21.041	217	15	23,216	291	233	**19,433**	**43**	**8**
famima. com Co., Ltd.	**54.25%**	4,991	1,298	767	5,403	1,083	634	**6,299**	**1,367**	**786**
FAMIMA CORPORATION	**100.00%**	1,057	(369)	(584)	1,061	(238)	(263)	**1,087**	**(220)**	**(259)**

Notes: 1. The figures for earnings contributions (shares) by subsidiaries are as of February 28, 2013
2. Figures for Thailand in fiscal 2012 are based on the nine months ended September 30, 2012.
3. Siam FamilyMart Co., Ltd., changed its corporate name to Central FamilyMart Co., Ltd., on April 30, 2013.

Main Associated Companies Accounted for by the Equity Method

(Millions of yen)

		11/2	12/2	13/2
	Shares	Net income	Net income	Net income
Okinawa FamilyMart Co., Ltd.	**48.98%**	455	390	**608**
Minami Kyushu FamilyMart Co., Ltd.	**49.00%**	150	26	**196**
Hokkaido FamilyMart Co., Ltd.	**49.00%**	22	22	**(13)**
BGFretail Co., Ltd.	**25.00%**	4,946	5,575	**3,021**
Siam FamilyMart Co., Ltd.Note 2, 3	**48.20%**			**274**
Shanghai FamilyMart Co., Ltd.	**30.00%**	(518)	(921)	**(1,981)**

Notes: 1. The figures for earnings contributions (shares) by associated companies are as of February 28, 2013.
2. Figures for Thailand in fiscal 2012 are based on the three months ended December 31, 2012, constitute 48.2% of net income.
3. Siam FamilyMart Co., Ltd., changed its corporate name to Central FamilyMart Co., Ltd., on April 30, 2013.

Franchise Contracts

Types of FamilyMart Franchise Contracts

(Contract details differ according to area franchisers)
○ = Provided by the franchisee
(As of February 28, 2013)

Contract type		1FC-A	1FC-B	1FC-C	2FC-N Note 3
Contract period		10 years from store opening			
Funds	Required at contract date	¥3,075,000 at contract date (including ¥75,000 consumption tax) Note 4 Affiliation fee: ¥525,000 Store preparation commission: ¥1,050,000 Initial stocking fee: ¥1,500,000 (including cash for making change and a portion of merchandise procurement costs)			
	Land / building	○	○	Provided by FamilyMart	Provided by FamilyMart
	Interior facility construction expense	○	○ FamilyMart funds part of expense	○	Provided by FamilyMart
	Sales fixtures Information devices	○ (In principle, FamilyMart funds necessary expenses.)			Provided by FamilyMart
	Staff hiring Application for approval	About ¥500,000 (In the case of 2FC-N contracts, franchisees are required to fund their own living expenses for 2 to 3 months.)			
Franchise commission		35% of gross margin*	38% of gross margin*	48% of gross margin*	48%–65% of gross margin*
Minimum operating revenue guaranteed (for stores open 24 hrs/day)		¥20 million per year			
Incentive for opening 24 hrs/day		¥1.2 million per year			
Rent		Note 1		Provided by FamilyMart	Provided by FamilyMart
Utilities		○	○	○	○ Note 2

* Net sales less cost of sales

Notes: 1. In the case of rental store space, the franchisee shall pay the rent, a leasehold deposit, and guarantee money.
2. In the case of 2FC-N contracts, the franchisee shall pay up to ¥3.6 million for utilities.
3. A loan system is available for part of the franchisee's initial payments in the case of 2FC-N contracts.
4. Amounts are calculated based on the 5% consumption tax.

FamilyMart's Franchise System

FamilyMart Co., Ltd., as the franchiser, collaborates closely with all its franchisees to foster mutual trust and a collaborative relationship so that both parties may achieve business growth. Our franchisees are responsible for store management, including the ordering of their own inventories, the arranging of their product displays, and the hiring and training of their staff. For our part, we supply not only our brand name and logo, but also full store management support services, including store operation know-how and the shared use of data management and logistics systems. In return for this support, the Company receives royalty income consisting of a certain percentage of each franchisee's gross margin. The rate differs according to the type of franchise contract.

The Franchiser (FamilyMart Head Office)

The Franchisees (Franchised stores)

Store Support

- Provision of brand logo, store operation know-how, and data management and logistics systems
- Development and supply of products
- Staff training service
- Advertising and sales promotion

⋮

Store Management

- Inventory ordering, selling
- Product display design
- Hiring and training of store staff

⋮

Major Support Programs

Multiple-store promotion system (1FC contracts)*	Step-up program for franchisees on 2FC contracts*	Newly independent franchisee support system
This is an incentive-based support program to encourage franchisees operating one store to take on an additional store.	This is a program that enables franchisees on 2FC contracts to step up to 1FC-B or 1FC-C contracts, after completing five years of management of a new store and fulfilling their contracts.	This system is for would-be franchisees who are not yet quite ready to take over management independently, giving them hands-on experience as a non-regular store manager before going it alone. Part of the contract fee is waived on signing the official franchise contract.

* Not applicable to certain stores

Long-Term Trends in Japan's Retail Industry and FamilyMart's Operations

Over the past few years, the scale of the retail industry in Japan has remained steady, at about ¥137 trillion. However, with the intensification of competition, a clear disparity in growth potential by format and by operator has emerged. By format, department stores have seen their markets shrink greatly, while the convenience-store market has expanded, and in fiscal 2008 sales at convenience-stores overtook sales at department stores. Within the convenience-store market in Japan, the acceleration of aggressive store openings by the big chains has resulted in their capturing a greater sales share. The top three companies, including FamilyMart, have increased their market share from 65.4% in fiscal 2004 to 71.1% in fiscal 2012.

Market Environment and Review of Operations for Fiscal 2012

During fiscal 2012, ended February 28, 2013, the Japanese economy showed some signs of slow recovery due to reconstruction-related demand after the Great East Japan Earthquake. However, there were downturns in exports and capital investment stemming from the slowdown of the global economy and the uncertain external economic environment in Europe and China, leaving the outlook for the domestic economy unclear. In the second half of the fiscal year, expectations of monetary easing and other economic and fiscal management led to indications of a recovery in share prices but did not result in any real improvement in consumption. Meanwhile, competition intensified between different business categories and formats.

In fiscal 2012, sales in the retail industry increased 0.3% year-on-year, to ¥137.1 trillion. By format, sales decreased 1.1%, to ¥6.6 trillion, in the department store sector and 0.6%, to ¥12.9 trillion, in the supermarket sector, both sectors facing continued difficult conditions. By contrast, the convenience-store market benefited from social change, such as the ongoing decline in the birthrate coupled with rising numbers of elderly; the increase in single-person households; and greater demand for ready-to-eat items from a wider range of clientele following the Great East Japan Earthquake. These factors and others, including aggressive store openings, resulted in sales growth of 3.3%, to ¥9.5 trillion.*

FamilyMart opened 900 stores during the fiscal year under review, a record for the Company, and achieved higher quality and a more distinctive product lineup through the development and launch of ready-to-eat items and original products. Also, we sought to find new ways to provide value as a social and lifestyle infrastructure provider through such activities as a delivery service.

Overseas, we accelerated our expansion in countries where we already have a presence, such as in Thailand, where we restructured our business plan, and opened stores in Indonesia for the first time. We also made preparations to open stores in the Philippines.

As a result of such efforts, revenues and income hit record highs on both a consolidated and non-consolidated basis.

* Sources: Retail Statistical Yearbook, Ministry of Economy, Trade and Industry

Analysis of Business Performance

For information on market environments and business strategy, please see P.28 – 44.

Business Performance (non-consolidated)

In fiscal 2012, FamilyMart's average store visitors per day at existing stores remained steady at 956, reflecting sluggish consumer confidence and intensified competition. Average spending per customer at existing stores declined to ¥551, down ¥5 year on year, due to poor sales of cigarettes and the struggle to sell drinks and other summer-related products during unseasonable summer weather. Average daily sales at existing stores decreased 1.6%.

Business Performance (non-consolidated)

	11/2	12/2	13/2	YoY difference
Growth rate of average daily sales per existing store (%)	(0.2)	4.4	**(1.6)**	
Average daily sales at existing stores (Thousands of yen)	502	531	**527**	(4)
Number of customers per day at existing store	932	956	**956**	—
Spend per customer at existing stores (¥)	539	556	**551**	(5)

Note: The figures above do not reflect the performance results of the TOMONY stores and am/pm stores before brand conversion.

Breakdown of Sales by Product Category (non-consolidated)

In fast food, one of our priority product categories, we began selling our highest-quality chicken ever, FAMIMA PREMIUM CHICKEN, which recorded sales greatly exceeding our initial expectations. Also, our *Ajiwai* Famima Café coffee, which has been introduced into 2,500 stores, sold well, with both products contributing to an overall increase in fast food sales of 13.1% year on year.

In daily food, the bolstering of delicatessen and salad product ranges and the launch of our private brand "FamilyMart collection" contributed to increased store visits by older customers and housewives, resulting in a 4.7% rise in sales.

Higher sales following the launch of the "FamilyMart collection" also translated into sales increases of 4.5% in processed food products and 3.0% in non-food products.

Sales of services rose 1.2% year on year due to an expanded range of services.

Sales in our electronic commerce business improved 14.1% on increased usage of pre-paid card services, despite a downturn in sales following the previous fiscal year's high sales of event tickets.

As a result, sales overall for the Company rose 4.8% year on year.

Breakdown of Sales by Product Category (non-consolidated)

(Millions of yen)

	11/2	12/2	13/2	YoY change
Fast food	47,939	52,939	**59,850**	13.1%
Daily food	400,686	428,645	**448,593**	4.7%
Processed food	377,633	399,341	**417,404**	4.5%
Non-food	423,276	511,627	**526,742**	3.0%
Services	30,561	32,716	**33,119**	1.2%
E-commerce	71,375	86,447	**98,654**	14.1%
Total	1,351,470	1,511,715	**1,584,362**	4.8%

Note: The figures above do not reflect the performance results of am/pm stores before brand conversion to FamilyMart stores and ASD machines.

Gross Profit Ratio (non-consolidated)

The gross profit ratio on sales of food products rose 0.41 percentage points from the previous term, to 38.07%, due to the improved profitability of individual products combined with increased sales of fast food items, which have a high gross profit ratio. The overall gross profit ratio rose 0.30 percentage points, to 27.89%, a result of the launch of the Profit Structural Reform Committee, which is made up of members from different operating units, and a review of our supply chains.

Gross Profit Ratio (non-consolidated)

	11/2	12/2	13/2	YoY difference
Gross profit ratio (%)	28.31	27.59	**27.89**	0.30
Gross profit ratio on food products (%)	37.11	37.66	**38.07**	0.41

Note: The figures above do not reflect the performance results of TOMONY stores and am/pm stores before brand conversion.

Store Development

During the fiscal year under review, FamilyMart opened 900 conventional stores*, including 12 in the TOMONY format in Japan. Offsetting these against the 292 stores that were closed during the period, the total number of stores at year-end stood at 8,772, an increase of 608 stores from the previous year-end. Average daily sales at new conventional FamilyMart stores declined ¥92,000, to ¥429,000, reflecting the strategic opening of stores based on future expectations of higher revenues.

The number of stores operated in Japan by FamilyMart and its four domestic area franchisers as of the end of the year under review was 9,481, an increase of 647 stores compared with the previous year-end. Overseas, we now operate 12,700 stores, a year-on-year increase of 1,455 stores, following stepped-up store openings, chiefly in South Korea and Thailand, and our entry into the Indonesian market. As a result, the total number of stores in the FamilyMart chain increased to 22,181, up 2,102 stores at year-end.

* Conventional stores: Stores newly opened by FamilyMart Co., Ltd. (non-consolidated, excluding stores opened by area franchisers)

Store Development Performance (non-consolidated)

	11/2	12/2	13/2	YoY difference
Store openings	412	549	**900**	351
Conversion am/pm > FamilyMart	329	302		—
Store Closures	270	316	**292**	(24)
Scrap and build	82	100	**102**	2
Average daily sales at new stores (Thousands of yen)	564	521	**429**	(92)

Note: Average daily sales at new stores do not include the performance results of TOMONY stores and am/pm stores before brand conversion.

Number of Stores (including area franchised stores)

	11/2	12/2	13/2	YoY difference
Japan	8,248	8,834	9,481	647
Overseas	9,350	11,245	12,700	1,455
Total chain stores	17,598	20,079	22,181	2,102

Operating Results (consolidated)

Analysis of Revenues, Costs, and Expenses

Total operating revenues of the FamilyMart Group on a consolidated basis, comprising commission from franchised stores, net sales, and other operating revenues, increased ¥4,869 million (1.5%) year on year, to ¥334,087 million (US$3,592 million). Despite a decrease in the number of directly operated stores, which cut into sales, revenues from newly consolidated subsidiaries increased and business results also held up well at our subsidiary in Taiwan.

Operating expenses increased ¥4,347 million (1.5%) from the previous fiscal year, to ¥290,979 million (US$3,129 million).

As a result, operating income increased ¥522 million (1.2%) to ¥43,108 million (US$464 million).

Other income–net rose ¥12,702 million, to ¥1,399 million (US$15 million).

As a result, income before income taxes and minority interests increased ¥13,224 million (42.3%), to ¥44,507 million (US$479 million), and net income was up ¥8,436 million (50.9%), to ¥25,020 million (US$269 million).

Earnings per share came to ¥263.6 (US$2.83).

Operating Results (consolidated basis)

Geographical Segments

Japan

Total operating revenues of all domestic operations edged up 1.8% year on year, to ¥285,068 million, and segment profit rose 33.2%, to ¥21,571 million. Increased earnings reflected openings of high-potential new stores, chiefly in the three major metropolitan areas of Tokyo, Osaka, and Nagoya and in leading provincial cities, as well as the construction of a high-quality store network through the implementation of a scrap-and-build policy.

Taiwan

Total operating revenues in Taiwan increased 10.1% year on year, to ¥30,449 million, while segment profit rose 7.3%, to ¥1,118 million, as a result of higher sales of fast food and other original products following the addition of eat-in areas in stores to boost sales of ready-to-eat items.

Thailand

We reorganized our business operations in Thailand, entering into a partnership with Central Retail Corporation Limited, the biggest general retail company in the country. Total operating revenues declined 15.9% year on year, to ¥17,101 million, as Siam FamilyMart Co., Ltd., was reclassified from consolidated subsidiary to affiliated company accounted for by the equity method as a result of the reorganization of business operations mentioned above. Segment profit was ¥3,863 million, including proceeds from the sale of stock of Siam FamilyMart Co., Ltd.

Newly developed frozen *bento* and original character goods helped to attract customers to stores and increase sales.

South Korea

In South Korea, segment profit declined 48.0% year-on-year, to ¥663 million, due to costs incurred when converting FamilyMart stores to the "CU with FamilyMart" brand, such as the replacement of signage. Nonetheless, we further secured our position as the top chain in South Korea by meeting customer demand for greater variety through the development of new categories of ready-to-eat items and continued aggressive store openings, mainly in the major cities of Seoul, Incheon, and Busan.

Other businesses

In China, as well as aggressively opening stores in Shanghai, Guangzhou, Suzhou, and Hangzhou, we established Chengdu FamilyMart Co., Ltd., in Chengdu, and opened our first stores in the Chinese interior. We also began opening stores in Indonesia, after entering into a franchise contract with local corporation PT. FAJAR MITRA INDAH. In the Philippines, we established Philippine FamilyMart CVS, Inc., with which we entered into a franchise agreement.

Business Results by Segment

(Millions of yen)

	12/2	13/2	YoY change
Total operating revenues	329,218	334,087	1.5%
Japan	279,964	285,068	1.8%
Taiwan	27,667	30,449	10.1%
Thailand	20,334	17,101	(15.9)%
South Korea	—	—	—
Other areas	1,253	1,469	17.3%
Segment profit	16,584	25,020	50.9%
Japan	16,189	21,571	33.2%
Taiwan	1,042	1,118	7.3%
Thailand	114	3,863	3,399.4%
South Korea	1,275	663	(48.0)%
Other areas	(932)	(1,262)	—
Eliminations/corporate	(1,104)	(933)	—

Notes: 1. In the "Thailand" business segment for the year ended February 28, 2013, as Siam FamilyMart Co., Ltd. and another company were excluded from the scope of consolidation on the deemed sale date of the third quarter end, they were accounted for as affiliated companies under the equity method.
2. South Korean businesses comprise equity-method affiliates and so are not included in Group total operating revenues.

Financial Position (consolidated)

Total assets at year-end amounted to ¥526,590 million (US$5,662 million), an increase of ¥53,768 million from the previous year-end.

Current assets increased ¥9,290 million, to ¥226,643 million (US$2,437 million).

Property and store facilities at year-end totaled ¥109,154 million (US$1,174 million), a year-on-year rise of ¥18,979 million, mainly due to increased investments in stores.

Investments and other assets increased ¥25,499 million, to ¥190,793 million (US$2,052 million) mainly due to incrase in leasehold deposits, and goodwill from the acquisition of stock in subsidiaries.

However, total liabilities increased ¥31,552 million year-on-year, to ¥278,435 million (US$2,994 million).

Current liabilities increased ¥22,340 million from the previous year end, to ¥208,063 million (US$2,237 million), reflecting higher income taxes payable and deposits received, sucha as utility charges.

Long-term liabilities increased ¥9,212 million from the previous year-end, to ¥70,372 million (US$757 million), chiefly due to an increase in long-term lease obligations following stepped-up investment in store openings.

As a result, total equity at the end of the year stood at ¥248,155 million (US$2,668 million). The equity ratio declined from 46.2% at the previous year-end to 45.4%, and ROE rose from 7.8% to 10.9%. Equity per share totaled ¥2,517.4 (US$27.07).

Cash Flows (consolidated)

Net cash provided by operating activities came to ¥64,638 million (US$695 million), a decrease of ¥8,262 million from the previous year. This result was due to the recording of a ¥7,445 million loss on adjustment for application of accounting standard for asset retirement obligations and ¥4,809 million as income taxes–refund in the previous fiscal year as well as an increase of ¥6,095 million in income taxes–paid, which was partially offset by a rise of ¥13,224 million in income before income taxes and minority interests.

Net cash used in investing activities grew ¥25,491 million from the previous year, to ¥46,237 million (US$497 million). The principal factors were increases in short-term loans–net (¥9,225 million), payments of leasehold deposits (¥7,660 million), and purchases of property and store facilities, software and other intangible assets (¥5,010 million).

Net cash used in financing activities came to ¥16,089 million (US$173 million), an increase of ¥1,900 million from the previous year. This rise was mainly due to a ¥1,773 million increase in repayments for lease obligations.

As a result of these activities, the year-end balance of cash and cash equivalents increased ¥3,991 million, to ¥137,148 million (US$1,475 million).

Dividend Policy

The Company regards the distribution of profits to shareholders, in the form of payment of dividends, as a matter of the highest priority. In accordance with the Company's fundamental policy of implementing stable distribution of dividends to shareholders in line with the growth of operations, the management has set a payout ratio of 40% (consolidated basis). For the reporting year, it has decided to pay an annual per-share dividend, including an interim dividend, of ¥100 (US$1.08), an increase of ¥18 per share from the previous year.

For the current term, ending February 2014, the Company plans to pay an annual dividend of ¥102 per share, a ninth consecutive dividend increase.

Outlook

In the current fiscal year, ending February 28, 2014, we expect operating conditions to remain difficult, as the employment and personal income situation in Japan shows no signs of improvement despite expectations of a recovery in corporate earnings as a result of monetary easing and other economic and fiscal management. While there is likely to be intensified competition for customers between different business categories and formats in the retail industry as a whole, further expansion in the range of clientele and diversification of demand associated with changes in the social structure are expected for the convenience-store market.

FamilyMart sees fiscal 2013, ending February 2014, as a year of challenge that will decide the next 10 years. Accordingly, it aims to open a record 1,500 stores while simultaneously working to meet customers' expectations of convenience stores as social and lifestyle infrastructure providers, paying full attention to service, quality, and cleanliness (SQ&C), and bolstering product development and profitability.

In the current fiscal year, we expect consolidated total operating revenues of ¥354.1 billion, a 6.0% rise year on year, operating income of ¥45.1 billion, a 4.6% increase, and ordinary income of ¥47.8 billion, a 5.3% rise, all record highs for the Company. Net income is forecast to decrease 10.1%, to ¥22.5 billion.

Targets for Major Indicators (non-consolidated)

	13/2	14/2 (Est.)	YoY difference
Average daily sales at total stores (Thousands of yen)	523	527	4
Growth rate of average daily sales at existing stores (%)	(1.6)	1.0	
Gross profit ratio (%)	27.89	28.30	0.41
Average daily sales at new stores (Thousands of yen)	429	450	21

Note: The figures above do not reflect the performance results of TOMONY stores.

	13/2	14/2 (Est.)	YoY difference
Store openings	900	1,500	600
Store closures	292	350	58

Earnings Forecasts (consolidated)

(Millions of yen)

	13/2	14/2 (Est.)	YoY change
Total operating revenues	334,087	354,100	6.0%
Operating income	43,108	45,100	4.6%
Ordinary income	45,410	47,800	5.3%
Net income	25,020	22,500	(10.1)%

Operational and Other Risks

The following section outlines some of the main risks relating to the FamilyMart Group's operations that could potentially have a significant impact on investors' decisions.

Statements contained within this section that refer to matters in the future have been determined to the best of our knowledge as of the end of the reporting term.

(1) Economic Trends

The FamilyMart Group is mainly engaged in the operation of convenience stores. The Group's business performance and financial position could be adversely affected by various factors, including extreme weather, changing economic and consumption trends, and competition with convenience stores and other retail formats, in its markets in Japan and overseas (Taiwan, South Korea, Thailand, China, the United States, Vietnam, Indonesia, and the Philippines).

(2) Natural Disasters

The FamilyMart Group's business performance and financial position could be adversely affected by man-made disasters, such as fires, acts of terror, and wars, and natural disasters, such as earthquakes, epidemics, and extreme weather events, in Japan and overseas, leading to the destruction of stores, supply stoppages and other circumstances disrupting the regular operation of FamilyMart stores.

(3) Franchise System

In its mainstay convenience-store business, the Group engages franchisees to operate its stores under its proprietary "FamilyMart System." The Group's business performance and financial position could be adversely affected by any acts that disrupt the operation of the FamilyMart System or by illegal or scandalous behavior involving franchisees and business partners that causes the suspension of business transactions or undermines public confidence in the chain.

The FamilyMart Group's business performance and financial position could be adversely affected by the mass termination of franchise contracts with franchisees following a breakdown in relations of trust between the Group and its franchisees.

(4) Food Safety

As an operator of convenience stores, the Group is mainly engaged in the marketing of food products to consumers. The FamilyMart Group's business performance and financial position could be adversely affected by any major food safety incident (poisoning, contamination, illegal mislabeling, and so on) arising despite its best preventive efforts.

The Group is committed to supplying safe food products through rigorous quality management standards and an integrated quality management system from production to marketing created jointly with business partners.

(5) Legal and Regulatory Changes

As an operator of convenience stores in Japan and overseas, the Group is subject to legal and regulatory requirements, and has acquired official licensing, in such areas as food safety, fair trade, and environmental protection. The Group's business performance and financial position could be adversely affected by unforeseen changes in legal and regulatory regimes or licensing requirements for operation of convenience stores, or by differences of opinion with regulators, leading to increased costs and operational restrictions.

(6) Handling of Personal Information

In its business processes, the FamilyMart Group collects and stores personal information relating to its customers. The Group's business performance and financial position could be adversely affected by any incidents of leakage of personal information, despite its best preventive efforts.

To ensure that no unauthorized access or leakage of personal information occurs, the Group conducts due compulsory supervision of employees who handle personal information, using organizational, human, physical, and technological safety management resources of proven reliability. In November 2006, FamilyMart became the first convenience store operator in Japan to be permitted to use the Privacy Mark, awarded by Japan Information Processing Development Corporation.

(7) IT Systems

In its convenience-store operations, the Group has set up IT systems linking the Group's member companies, business partners of the Group, and its franchised stores. The FamilyMart Group's business performance and financial position could be adversely affected by failure, misuse or other unauthorized use of IT systems, leading to disruption of services and operations such as the making and receiving of orders, delivery, marketing, and bill settlement service.

The Group has established various standards for IT systems and has set up IT system safety mechanisms from planning to operation in partnership with specially engaged outside experts. In addition, we have taken measures, such as the duplication of all systems and data backup, to deal with unexpected problems.

Consolidated Balance Sheet

FamilyMart Co., Ltd. and Consolidated Subsidiaries February 28, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
ASSETS			
Current assets:			
Cash and cash equivalents (Note 17)	¥137,148	¥133,157	$1,474,710
Time deposits (Note 17)	76	1,153	817
Marketable securities (Notes 7 and 17)	2,084	2,829	22,409
Receivables:			
Due from franchised stores (Notes 6 and 17)	14,645	11,107	157,473
Other (Note 17)	31,887	32,409	342,871
Allowance for doubtful receivables	(243)	(258)	(2,613)
Merchandise	8,161	7,914	87,752
Deferred tax assets (Note 14)	2,390	3,167	25,699
Prepaid expenses and other current assets	30,495	25,875	327,903
Total current assets	226,643	217,353	2,437,021
Property and store facilities (Notes 8, 12 and 16):			
Land	16,267	13,996	174,914
Buildings and structures	72,950	65,707	784,409
Machinery and equipment	7,882	6,479	84,753
Furniture and fixtures	86,307	71,405	928,032
Other	245	681	2,634
Total	183,651	158,268	1,974,742
Accumulated depreciation	(74,497)	(68,093)	(801,043)
Net property and store facilities	109,154	90,175	1,173,699
Investments and other assets:			
Investment securities (Notes 7 and 17)	15,709	11,928	168,914
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 4 and 17)	21,239	15,008	228,376
Software	9,956	9,321	107,054
Goodwill (Note 9)	5,322	381	57,226
Goodwill attributable to individual stores (Note 5)	4,247	4,800	45,667
Leasehold deposits (Note 17)	117,895	108,214	1,267,688
Deferred tax assets (Note 14)	6,241	6,340	67,108
Other assets (Note 8)	10,184	9,302	109,505
Total investments and other assets	190,793	165,294	2,051,538
Total	¥526,590	¥472,822	$5,662,258

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
LIABILITIES AND EQUITY			
Current liabilities:			
Payables:			
Trade accounts for franchised and Company-owned stores (Notes 17 and 23)	¥ 75,490	¥ 74,566	$ 811,720
Due to franchised stores (Notes 6 and 17)	4,732	4,790	50,882
Other (Notes 17 and 23)	21,786	20,218	234,258
Current portion of long-term lease obligations (Notes 10 and 17)	7,696	5,361	82,753
Income taxes payable (Notes 14 and 17)	14,392	5,066	154,753
Deposit received (Notes 6 and 17)	74,319	67,242	799,129
Accrued expenses	5,987	5,628	64,376
Other current liabilities (Notes 12 and 16)	3,661	2,852	39,365
Total current liabilities	208,063	185,723	2,237,236
Long-term liabilities:			
Long-term lease obligations (Notes 10 and 17)	35,271	27,997	379,258
Liability for retirement benefits (Note 11)	8,070	7,514	86,774
Leasehold deposits from franchised stores (Note 17)	10,458	9,900	112,452
Asset retirement obligations (Note 12)	12,694	11,909	136,495
Other long-term liabilities (Notes 8 and 16)	3,879	3,840	41,710
Total long-term liabilities	70,372	61,160	756,689
Commitments and contingent liabilities (Notes 16, 19 and 23)			
Equity (Notes 13 and 22):			
Common stock—authorized, 250,000,000 shares; issued, 97,683,133 shares	16,659	16,659	179,129
Capital surplus	17,389	17,389	186,978
Retained earnings	213,580	196,914	2,296,559
Treasury stock—at cost, 2,754,588 shares in 2013 and 2,752,139 shares in 2012	(8,752)	(8,744)	(94,107)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 7)	1,628	239	17,505
Foreign currency translation adjustments	(1,527)	(4,198)	(16,419)
Total	238,977	218,259	2,569,645
Minority interests	9,178	7,680	98,688
Total equity	248,155	225,939	2,668,333
Total	¥526,590	¥472,822	$5,662,258

See notes to consolidated financial statements.

Data and Financial Section

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2013

Consolidated Statement of Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Operating revenues:			
Commission from franchised stores (Note 6)	¥198,222	¥189,659	$2,131,419
Net sales	105,065	110,013	1,129,731
Other operating revenues (Notes 4 and 6)	30,800	29,546	331,183
Total operating revenues	334,087	329,218	3,592,333
Operating expenses:			
Cost of sales (Note 23)	72,987	77,062	784,806
Selling, general and administrative expenses (Notes 9, 11, 16 and 23)	217,992	209,570	2,344,000
Total operating expenses	290,979	286,632	3,128,806
Operating income	43,108	42,586	463,527
Other income (expenses):			
Interest and dividend income	1,630	1,567	17,527
Equity in earnings of unconsolidated subsidiaries and associated companies	878	793	9,441
Gain on sales of investments in subsidiaries and associated companies	4,474	1,013	48,107
Gain on reversal of accounts payable—store closing		2,472	
Loss on disposals/sales of property and store facilities—net	(1,643)	(1,447)	(17,667)
Loss on impairment of long-lived assets (Notes 8 and 16)	(2,361)	(2,590)	(25,387)
Loss on cancellations of land and building lease contracts	(1,078)	(1,415)	(11,591)
Loss on adjustment for application of accounting standard for asset retirement obligations		(7,445)	
Loss from a natural disaster		(3,433)	
Other—net (Note 18)	(501)	(818)	(5,387)
Other income (expenses)—net	1,399	(11,303)	15,043
Income before income taxes and minority interests	44,507	31,283	478,570
Income taxes (Note 14):			
Current	17,582	5,680	189,054
Deferred	153	7,373	1,645
Total income taxes	17,735	13,053	190,699
Net income before minority interests	26,772	18,230	287,871
Minority interests in net income	1,752	1,646	18,839
Net income	¥ 25,020	¥ 16,584	$ 269,032

	Yen		U.S. dollars
	2013	2012	2013
Per share of common stock (Notes 2.t and 21):			
Basic net income	¥263.6	¥174.7	$2.83
Cash dividends applicable to the year	100.0	82.0	1.08

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net income before minority interests	¥26,772	¥18,230	$287,871
Other comprehensive income (Note 20):			
Unrealized gain (loss) on available-for-sale securities	1,372	(6)	14,753
Foreign currency translation adjustments	3,101	(1,083)	33,344
Share of other comprehensive income in associates	605	(300)	6,505
Total other comprehensive income	5,078	(1,389)	54,602
Comprehensive income	¥31,850	¥16,841	$342,473
Total comprehensive income attributable to:			
Owners of the parent	¥29,080	¥15,913	$312,688
Minority interests	2,770	928	29,785

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2013

	Thousands	Millions of yen								
						Accumulated other comprehensive income				
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, March 1, 2011	94,932	¥16,659	¥17,389	¥187,544	¥(8,739)	¥ 240	¥(3,528)	¥209,565	¥7,414	¥216,979
Net income				16,584				16,584		16,584
Cash dividends, ¥76.0 per share				(7,214)				(7,214)		(7,214)
Purchase of treasury stock	(1)				(5)			(5)		(5)
Net change in the year						(1)	(670)	(671)	266	(405)
Balance, February 29, 2012	94,931	16,659	17,389	196,914	(8,744)	239	(4,198)	218,259	7,680	225,939
Net income				25,020				25,020		25,020
Cash dividends, ¥88.0 per share				(8,354)				(8,354)		(8,354)
Purchase of treasury stock	(2)				(8)			(8)		(8)
Net change in the year						1,389	2,671	4,060	1,498	5,558
Balance, February 28, 2013	94,929	¥16,659	¥17,389	¥213,580	¥(8,752)	¥1,628	¥(1,527)	¥238,977	¥9,178	¥248,155

	Thousands of U.S. dollars (Note 1)								
					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, February 29, 2012	$179,129	$186,978	$2,117,355	$(94,022)	$ 2,570	$(45,139)	$2,346,871	$82,581	$2,429,452
Net income			269,032				269,032		269,032
Cash dividends, $0.95 per share			(89,828)				(89,828)		(89,828)
Purchase of treasury stock				(85)			(85)		(85)
Net change in the year					14,935	28,720	43,655	16,107	59,762
Balance, February 28, 2013	$179,129	$186,978	$2,296,559	$(94,107)	$17,505	$(16,419)	$2,569,645	$98,688	$2,668,333

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

FamilyMart Co., Ltd. and Consolidated Subsidiaries Year Ended February 28, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Operating activities:			
Income before income taxes and minority interests	¥ 44,507	¥ 31,283	$ 478,570
Adjustments for:			
Income taxes—paid	(7,984)	(1,889)	(85,849)
Income taxes—refund		4,809	
Loss on disaster paid		(2,872)	
Depreciation and amortization	19,830	16,581	213,226
Provision (reversal) of allowance for doubtful receivables	415	(338)	4,462
Equity in earnings of unconsolidated subsidiaries and associated companies	(878)	(793)	(9,441)
Loss (gain) on sale/valuation of marketable and investment securities—net	19	(20)	204
Gain on sales of investments in associated companies	(4,474)	(1,013)	(48,107)
Loss on disposals/sales of property and store facilities—net	1,643	1,447	17,667
Loss on cancellations of land and building lease contracts	1,078	1,415	11,591
Loss on impairment of long-lived assets	2,361	2,590	25,387
Loss on adjustment for application of accounting standard for asset retirement obligations		7,445	
Loss from a natural disaster		3,433	
Changes in assets and liabilities:			
(Increase) decrease in due from/to franchised stores—net	(3,736)	699	(40,172)
Increase in merchandise and supplies	(323)	(597)	(3,473)
Increase in payables—trade	405	4,454	4,355
Increase in deposit received	5,949	2,912	63,968
Increase in liability for retirement benefits	484	683	5,204
Other—net	5,342	2,671	57,440
Total adjustments	20,131	41,617	216,462
Net cash provided by operating activities	64,638	72,900	695,032
Investing activities:			
Decrease in time deposits—net	1,175	2,345	12,634
Purchases of marketable and investment securities	(7,489)	(12,465)	(80,527)
Purchases of investments in subsidiaries and associated companies	(3,814)	(4,518)	(41,011)
Proceeds from sales and redemption at maturity of marketable and investment securities	6,701	11,799	72,054
Proceeds from sales of investments in associated companies		2,641	
Increase (decrease) in short-term loans—net	(57)	9,168	(613)
Purchases of property and store facilities, software, and other intangible assets	(23,227)	(18,217)	(249,753)
Proceeds from sales of property and store facilities, software, and other intangible assets	778	613	8,366
Payments of leasehold deposits	(21,033)	(13,373)	(226,161)
Refunds of leasehold deposits	1,530	3,045	16,452
Receipts of leasehold deposits from franchised stores	1,273	1,510	13,688
Refunds of leasehold deposits to franchised stores	(1,264)	(1,593)	(13,591)
Payments for acquisition of a newly consolidated subsidiary	(5,452)	(72)	(58,624)
Proceeds from sale of investment in a subsidiary (Note 15)	6,207		66,742
Payments entailed by a merger		(1,907)	
Other	(1,565)	278	(16,828)
Net cash used in investing activities	(46,237)	(20,746)	(497,172)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Financing activities:			
Decrease in short-term bank loans—net	(51)	(154)	(548)
Contribution from minority interest shareholders		455	
Dividends paid	(8,354)	(7,214)	(89,828)
Dividends paid to minority interest shareholders	(1,190)	(1,149)	(12,796)
Repayments for lease obligations	(6,431)	(4,658)	(69,151)
Other	(63)	(1,469)	(677)
Net cash used in financing activities	(16,089)	(14,189)	(173,000)
Foreign currency translation adjustments on cash and cash equivalents	1,679	(997)	18,054
Net increase in cash and cash equivalents	3,991	36,968	42,914
Increase in cash and cash equivalent due to merger		703	
Cash and cash equivalents, beginning of year	133,157	95,486	1,431,796
Cash and cash equivalents, end of year	¥137,148	¥133,157	$1,474,710

See notes to consolidated financial statements.

1 Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form, which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which FamilyMart Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93 to $1, the approximate rate of exchange at February 28, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 Summary of Significant Accounting Policies

a. Consolidation—The consolidated financial statements as of February 28, 2013 include the accounts of the Company and its 11 (11 in 2012) significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 9 (8 in 2012) unconsolidated subsidiaries and 20 (18 in 2012) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries and associated companies at the date of acquisition is included in goodwill and is amortized on a straight-line basis from 5 to 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (e) exclusion of minority interests from net income, if contained.

c. Unification of accounting policies applied to foreign associated companies for the equity method—In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (5) exclusion of minority interests from net income, if contained.

d. Business combination—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This revised standard was applicable to business combinations undertaken on or after April 1, 2010.

e. Cash equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper, bond funds, and short-term government securities, all of which mature or become due within three months of the date of acquisition.

f. Merchandise—Most merchandise is stated at the lower of cost, mostly determined by the retail method or net selling value.

g. Marketable and investment securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held-to-maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Property and store facilities—Property and store facilities are stated at cost. Depreciation of property and store facilities of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to property and store facilities of consolidated foreign subsidiaries and leased assets. Buildings acquired on or after April 1, 1998 are depreciated using the straight-line method. The range of useful lives is principally from 2 to 50 years for buildings and structures and from 2 to 20 years for furniture and fixtures. The useful lives for leased assets are the terms of the respective leases.

i. Long-lived assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Software—Capitalized software is stated at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives (five years).

k. Goodwill—Goodwill is stated at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives (from 5 to 10 years).

l. Goodwill attributable to individual stores—Goodwill attributable to individual stores is stated at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives of stores (weighted average 12 years).

m. Retirement and pension plans—The Company and certain consolidated subsidiaries have funded and/or unfunded retirement benefit plans for employees. In respect of the funded plans, a part of the annual provisions is funded as contributory pension plans with an outside trustee.

The Group accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

n. Asset retirement obligations—In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. In addition, the accounting standard permits leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective March 1, 2009. In addition, the Company continues to account for leases, which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

p. Income taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. Foreign currency transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

r. Foreign currency financial statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the annual average exchange rate.

s. Derivatives—The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

t. Per share information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

u. Accounting changes and error corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in accounting policies
When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior period errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors, which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

v. New Accounting Pronouncements

Accounting standard for retirement benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)
The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after March 1, 2014 with earlier application being permitted from the beginning of annual periods beginning on or after March 1, 2014. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on March 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard.

3 Changes in Presentation

Prior to March 1, 2012, the purchase of treasury stock of a subsidiary was disclosed separately in the financing activities section of the consolidated statement of cash flows. During this fiscal year ended February 28, 2013 the amount decreased significantly, and such amount is included in the other among financing activities section of the consolidated statement of cash flows as of February 28, 2013. The amount disclosed in the purchase of treasury stock of a subsidiary as of February 29, 2012 was ¥1,224 million.

4 Related Parties and Organization

The Company's primary shareholder is ITOCHU Corporation, which owns 31.66% of the total outstanding shares of the Company.

The Company is a franchiser of "FamilyMart" stores for retail sales of daily necessities to consumers. The Company allows each independent franchisee to operate convenience stores using the specific designs and name of "FamilyMart" and provides them with related managerial and technical know-how under a franchise agreement. Under the agreement, each franchisee is provided with a variety of services and advice on the operation of convenience stores from the Company. In return, the franchisee is required to pay continuing franchise commissions to the Company based on certain percentages of the respective franchised store's gross margin (net sales less cost of sales).

The Company allows area franchised companies to be franchisers of "FamilyMart" stores in each area, including outside Japan. Area franchised companies are required to pay continuing royalty fees to the Company and the Company records this as "Other operating revenues." Area franchised companies as of February 28, 2013, are as follows:

Name of area franchiser	Area	The company's ownership in area franchiser
Subsidiaries:		
Taiwan FamilyMart Co., Ltd.	Taiwan	43.50%
FAMIMA CORPORATION	The United States of America	100.00
Associated companies:		
Okinawa FamilyMart Co., Ltd.	Okinawa, Japan	48.98
Minami Kyushu FamilyMart Co., Ltd.	Kagoshima and Miyazaki, Japan	49.00
Hokkaido FamilyMart Co., Ltd.	Hokkaido, Japan	49.00
Siam FamilyMart Co., Ltd.	Thailand	48.20
BGFretail Co., Ltd.	Korea	25.00

FamilyMart China Holding Co., Ltd., a 100.00% owned subsidiary, is a holding company of China CVS (Cayman Islands) Holding Corp. ("CCH"). CCH, a 40.35% owned associated company, is a holding company of Shanghai FamilyMart Co., Ltd., Guangzhou FamilyMart Co., Ltd., Suzhou FamilyMart Co., Ltd., Hangzhou FamilyMart Co., Ltd., and Chengdu FamilyMart Co., Ltd.

Shanghai FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Shanghai, China. Guangzhou FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Guangzhou, China. Suzhou FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Suzhou, China. Hangzhou FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Hangzhou, China. Chengdu FamilyMart Co., Ltd., a wholly owned associated company, is an area franchiser in Chengdu, China.

In addition to the aforementioned, there are a number of subsidiaries and associated companies whose principal businesses are other than operating convenience stores.

famima.com Co., Ltd., a 54.25% owned subsidiary, supports E-commerce operations.

POCKET CARD CO., LTD., a 15.02% owned associated company, provides financial services, such as credit card settlement and related services for its customers.

famima Retail Service Co., Ltd., a wholly owned subsidiary, provides accounting and stocktaking services to "FamilyMart" stores in Japan.

SENIOR LIFE CREATE Co., Ltd., an 82.83% owned subsidiary, provides catering and home delivery services of the Company's merchandise by utilizing its delivery network.

ASAHI FOOD PROCESSING CO., LTD., a 39.00% owned associated company, produces and distributes cooked noodles to "FamilyMart" stores in Japan.

5 Business Combinations

Year ended February 28, 2013

There was no business combination to be reported.

Year ended February 29, 2012

On April 1, 2011, the Company merged with am/pm Kansai Co., Ltd., which had operated convenience stores and managed franchised stores.

This merger aims to increase the Company's business value through creating greater economies of scale with an extended store network especially in the Kansai area and by improving efficiency and integration of business foundations.

The merger cost was ¥1,907 million in cash in accordance with the Business Transfer Agreement dated February 24, 2011.

The Company took over am/pm Kansai Co., Ltd., with full management integration (absorption-type merger). The total merger costs have been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Goodwill attributable to individual stores recorded in connection with the acquisition totaled ¥2,441 million.

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date are as follows:

April 1, 2011	Millions of yen
Current assets	¥1,735
Other assets	2,779
Goodwill attributable to individual stores	2,441
Total assets acquired	¥6,955
Total liabilities assumed	¥5,048
Net assets acquired	¥1,907

Goodwill attributable to individual stores is stated at cost less accumulated amortization, which is calculated over the estimated useful lives of the stores (weighted average 12 years).

6 Transactions with Franchised Stores

As discussed in Note 4 under the franchise agreement, each franchisee is provided with a variety of services and advice on the operation of convenience stores by the Company, and, in return, the franchisee is required to pay continuing franchise commissions to the Company based on certain percentages of the respective franchised store's gross margin (net sales less cost of sales). As the franchiser, the Company accounts for such franchise commissions on an accrual basis.

The term of a franchise agreement is generally for 10 years and may be extended or renewed upon expiration subject to renegotiation of contract terms between the Company and the franchisee. The franchise agreement currently in use provides that, at the commencement of the agreement, the franchisee shall make a cash payment to the Company in the amount of ¥1,500,000 which is credited to income of the Company as "Other operating revenues" for the lump-sum franchise fee and which shall be spent for services such as research, training and preparations of store opening provided by the Company. In addition, the franchisee shall advance another ¥1,500,000 to the Company as a deposit for purchases and it is credited to "Payables—Due to franchised stores," accordingly.

Under the franchise agreement, each franchised store shall order merchandise and the store is supplied from suppliers using the centralized buy-order system maintained by the Company. The Company then accumulates such purchase orders by the franchised stores and pays the purchase amounts to suppliers on a monthly basis on behalf of the franchised stores. The Company records account receivable due from franchised stores for such purchases.

Each franchised store shall make a remittance of cash from sales to the Company on a daily basis. Furthermore, the franchised stores collect utility payments from customers on behalf of utility service providers, such as electric power companies and telecommunication companies, which are remitted to the Company on a daily basis. The receipts of such charges are recorded as a liability due to utility service suppliers and included in "Deposit received" on the accompanying consolidated balance sheets.

The monthly payments to purchase merchandise and other goods on behalf of each franchised store and the daily receipts of cash from the franchised stores are accumulated and offset against each other to present the net balance due to or from each franchised store.

The balances of "Receivables—Due from franchised stores" and "Payables—Due to franchised stores" in the accompanying consolidated balance sheet represent such net balances between the Company and franchised stores at the balance sheet date.

7 Marketable and Investment Securities

Marketable and investment securities as of February 28, 2013 and February 29, 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current:			
Government and corporate bonds	¥1,900	¥2,700	$20,430
Trust fund investments	184	129	1,979
Total	¥2,084	¥2,829	$22,409

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Non-current:			
Marketable equity securities	¥ 6,251	¥ 4,118	$ 67,215
Government and corporate bonds	8,300	7,000	89,247
Non-marketable equity securities	1,158	810	12,452
Total	¥15,709	¥11,928	$168,914

The cost and aggregate fair values of marketable and investment securities at February 28, 2013 and February 29, 2012, were as follows:

	Millions of yen			
February 28, 2013	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				¥ 184
Available-for-sale —equity securities	¥ 3,751	¥2,552	¥52	6,251
Held-to-maturity	10,200	52	3	10,249

	Millions of yen			
February 29, 2012	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				¥ 129
Available-for-sale —equity securities	¥3,751	¥454	¥87	4,118
Held-to-maturity	9,700	63		9,763

	Thousands of U.S. dollars			
February 28, 2013	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				$ 1,979
Available-for-sale —equity securities	$ 40,333	$27,441	$559	67,215
Held-to-maturity	109,677	559	32	110,204

Available-for-sale securities whose fair value is not readily determinable as of February 28, 2013 and February 29, 2012, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Available-for-sale—equity securities	¥1,158	¥810	$12,452

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at February 28, 2013, are as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥1,900	$20,430
Due after one year through five years	8.300	89,247

8 Long-lived Assets

The Group reviewed its long-lived assets for impairment as of February 28, 2013 and February 29, 2012 and, as a result, recognized impairment losses of ¥2,361 million ($25,387 thousand) and ¥2,590 million, respectively, as other expense for each store due mainly to continuous operating losses. The carrying amount of those assets was written down to the recoverable amount.

The Group recognized impairment losses on the following fixed assets and leased property for the years ended February 28, 2013 and February 29, 2012:

	Millions of yen		Thousands of U.S. dollars
Fixed assets and leased property	2013	2012	2013
Land	¥ 192	¥ 50	$ 2,065
Building	921	1,211	9,903
Furniture and fixtures	896	808	9,634
Others	352	521	3,785
Total	¥2,361	¥2,590	$25,387

The recoverable amount from the stores, which the Group plans to sell, was measured by its net selling price at disposition. The recoverable amount of other stores was measured at their value in use and the discount rates used for computation of present value of future cash flows were 3.14% and 4.06% for the years ended February 28, 2013 and February 29, 2012, respectively.

9 Goodwill

Goodwill as of February 28, 2013 and February 29, 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Consolidation goodwill	¥5,322	¥189	$57,226
Acquisition goodwill		192	
Total	¥5,322	¥381	$57,226

Amortization charged to selling, general and administrative expenses for the years ended February 28, 2013 and February 29, 2012, was ¥824 million ($8,860 thousand) and ¥391 million, respectively.

10 Lease Obligations

Annual maturities of lease obligations at February 28, 2013, were as follows:

Year ending February 28 (or 29)	Millions of yen	Thousands of U.S. dollars
2014	¥ 7,696	$ 82,753
2015	7,509	80,742
2016	7,530	80,968
2017	7,232	77,763
2018	5,854	62,946
2019 and thereafter	7,146	76,839
Total	¥42,967	$462,011

11 Retirement and Pension Plans

The Company and its certain consolidated subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for employees' retirement benefits as of February 28, 2013 and February 29, 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥ 19,930	¥18,568	$ 214,301
Fair value of plan assets	(10,263)	(8,966)	(110,355)
Unrecognized actuarial loss	(2,904)	(3,548)	(31,226)
Unrecognized prior service cost	1,307	1,460	14,054
Net liability	¥ 8,070	¥ 7,514	$ 86,774

The components of net periodic benefit costs for the years ended February 28, 2013 and February 29, 2012, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥1,196	¥1,286	$12,860
Interest cost	313	314	3,365
Expected return on plan assets	(8)	(94)	(86)
Recognized actuarial loss	474	424	5,097
Amortization of prior service cost	(153)	(15)	(1,645)
Amortization of transitional obligation		3	
Net periodic benefit costs	¥1,822	¥1,918	$19,591

Assumptions used for the years ended February 28, 2013 and February 29, 2012, are set forth as follows:

	2013	2012
Discount rate	Primarily 1.7%	Primarily 1.7%
Expected rate of return on plan assets	Primarily 0.0%	Primarily 0.0%
Recognition period of actuarial gain/loss	Primarily 13 years	Primarily 13 years
Amortization period of prior service cost	13 years	13 years
Amortization period of transitional obligation		Foreign consolidated subsidiary—15 years

12 Asset Retirement Obligations

The changes in asset retirement obligations for the years ended February 28, 2013 and February 29, 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balance at beginning of year	¥12,020	¥11,256	$129,247
Additional provisions associated with the acquisition of property and store facilities	1,569	1,277	16,871
Reconciliation associated with passage of time	113	168	1,215
Reduction associated with settlement of asset retirement obligations	(693)	(685)	(7,451)
Other	(219)	4	(2,355)
Balance at end of year	¥12,790	¥12,020	$137,527

13 Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends—Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of common stock, reserve and surplus—The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights—The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

14 Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended February 28, 2013 and February 29, 2012.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of February 28, 2013 and February 29, 2012, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Provision for doubtful receivables	¥ 1,142	¥ 1,127	$ 12,280
Accrued bonuses	610	669	6,559
Provision for retirement benefits	2,777	2,159	29,860
Loss on devaluation of investments in associated companies	764	379	8,215
Loss on impairment of long-lived assets	2,465	2,628	26,506
Enterprise tax payable	1,088	470	11,699
Tax loss carryforwards	2,265	1,945	24,355
Accounts payable	137	238	1,473
Asset retirement obligations	4,529	4,188	48,699
Asset adjustment account	740	1,004	7,957
Other	1,141	1,663	12,269
Less valuation allowance	(3,995)	(3,303)	(42,957)
Total	13,663	13,167	146,915
Deferred tax liabilities:			
Undistributed earnings of associated companies	2,494	1,882	26,817
Unrealized gain on available-for-sale securities	891	131	9,581
Asset retirement obligations related expenses	1,647	1,546	17,710
Other		101	
Total	5,032	3,660	54,108
Net deferred tax assets	¥ 8,631	¥ 9,507	$ 92,807

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended February 28, 2013 and February 29, 2012 is omitted since the difference is less than 5% of normal effective tax rate.

As of February 28, 2013, certain subsidiaries have tax loss carryforwards aggregating approximately ¥5,648 million ($60,731 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year ending February 28 (or 29)	Millions of yen	Thousands of U.S. dollars
2017	¥ 54	$ 581
2018 and thereafter	5,594	60,150
Total	¥5,648	$60,731

15 Supplemental Cash Flow Information

Proceeds from Sale of Investment in a Subsidiary

For the year ended February 28, 2013, Siam FamilyMart Co., Ltd. was reclassified from consolidated subsidiary to associated company due to the sale of the stock. Assets and liabilities of subsidiary at the time of sale, cash received by selling the investments and net cash received in conjunction with the sale of consolidated subsidiary were as follows:

	Millions of yen	Thousands of U.S. dollars
Assets	¥ 6,496	$ 69,849
Liabilities	(3,740)	(40,215)
Retained earnings	6,514	70,043
Minority interests	(389)	(4,182)
Foreign currency translation adjustments	1,421	15,280
Investment in associated company	(4,954)	(53,269)
Net gain on sale of the stock	1,944	20,903
Cash received by selling the investments	7,292	78,409
Cash and cash equivalents of consolidated subsidiary	(1,085)	(11,667)
Cash received in conjunction with the sale of consolidated subsidiary	¥ 6,207	$ 66,742

16 Leases

As Lessee

The Group leases certain furniture and fixtures and software.

Total rental expenses, including lease payments for the years ended February 28, 2013 and February 29, 2012, were ¥8,727 million ($93,839 thousand) and ¥10,538 million, respectively.

The Group recorded impairment losses of ¥85 million ($914 thousand) and ¥229 million on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property for the years ended February 28, 2013 and February 29, 2012, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the consolidated balance sheets.

However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective March 1, 2009 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before February 28, 2009, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense, and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of yen		
2013	Furniture and fixtures	Software	Total
Acquisition cost	¥ 32,002	¥ 855	¥ 32,857
Accumulated depreciation	(23,385)	(816)	(24,201)
Accumulated impairment loss	(2,527)		(2,527)
Net leased property	¥ 6,090	¥ 39	¥ 6,129

	Millions of yen		
2012	Furniture and fixtures	Software	Total
Acquisition cost	¥ 56,741	¥ 4,198	¥ 60,939
Accumulated depreciation	(40,955)	(3,638)	(44,593)
Accumulated impairment loss	(3,107)		(3,107)
Net leased property	¥ 12,679	¥ 560	¥ 13,239

	Thousands of U.S. dollars		
2013	Furniture and fixtures	Software	Total
Acquisition cost	$ 344,108	$ 9,193	$ 353,301
Accumulated depreciation	(251,452)	(8,774)	(260,226)
Accumulated impairment loss	(27,172)		(27,172)
Net leased property	$ 65,484	$ 419	$ 65,903

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥3,798	¥ 7,949	$40,839
Due after one year	5,010	8,966	53,871
Total	¥8,808	¥16,915	$94,710

Allowance for impairment loss on leased property of ¥1,224 million ($13,161 thousand) and ¥1,611 million as of February 28, 2013 and February 29, 2012 was not included in obligations under finance leases.

The imputed interest expense portion is included in the above obligations under finance leases.

Depreciation expense, interest expense, and other information under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Depreciation expense	¥6,909	¥8,603	$74,290
Interest expense	308	561	3,312
Total	¥7,217	¥9,164	$77,602
Lease payments	¥7,675	¥9,578	$82,527
Reversal of allowance for impairment loss on leased property	¥ 472	¥ 544	$ 5,075
Impairment loss	85	229	914

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases as of February 28, 2013 and February 29, 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥1,625	¥1,894	$17,473
Due after one year	4,128	4,330	44,387
Total	¥5,753	¥6,224	$61,860

As Lessor

The Group subleases certain land and buildings. The subleases are finance leases that do not transfer ownership of leased buildings to the lessee. Receivables under such finance leases as of February 28, 2013 and February 29, 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥206	¥ 206	$2,215
Due after one year	539	1,027	5,796
Total	¥745	¥1,233	$8,011

The minimum rental commitments under noncancelable operating subleases as of February 28, 2013 and February 29, 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥253	¥ 253	$2,720
Due after one year	644	1,257	6,925
Total	¥897	¥1,510	$9,645

17 Financial Instruments and Related Disclosures

a. Status of financial instruments

(a) Group policy for financial instruments

The Group invests its cash surplus only in low risk financial assets.

Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (b) below.

(b) Nature and extent of risks arising from financial instruments

Receivables such as receivables—due from franchised stores and other are exposed to customer credit risk.

Debt securities included in marketable and investment securities mainly consist of held-to-maturity securities rated over certain level.

The Group monitored its market values and financial positions of the issuers on a regular basis. Therefore, credit risk is limited to minimum.

Equity securities included in investment securities, mainly equity instruments of customers and suppliers of the Group, are partially exposed to the risk of market price fluctuations.

Leasehold deposits, mainly related to rent agreements on stores, are exposed to counterparty credit risk.

Payment terms of payables, such as trade accounts for franchised and Company-owned stores, due to franchised stores and other, and deposit received, are less than one month.

Maturities of lease obligations related to finance lease transactions, mainly for the purpose of financing capital investments of stores, are less than eight years after the balance sheet date and the interest rates are all fixed.

Leasehold deposits from franchised stores are mainly related to sub-lease arrangements of stores to the franchisees.

Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables. Please see Note 18 for more detail about derivatives.

(c) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms.

The Group manages its credit risk from receivables by monitoring payment terms and balances of major customers and identifying the default risk of counterparties in early stage.

For leasehold deposits, the Group is scrutinizing the collectability by identifying the credit situations of counterparties at the time of concluding the rental agreements and also identifying the default risk of counterparties in early stage by collecting the information about the counterparties by the Property Administration Department.

Market Risk Management (Foreign Exchange Risk and Interest Rate Risk)

Foreign currency receivables due from affiliates are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis and securities other than held-to-maturity debt securities are managed by reviewing the holding status continuously by taking into consideration the relationship with the counterparties.

Derivative transactions are executed and controlled based on the internal guidelines, which prescribe the authority and the limit for each transaction by the Accounting and Finance Department obtaining authorization by the responsible management.

Liquidity Risk Management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates.

The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with preparing and updating the financial plan by each Group company.

(d) Supplementary information on fair values

Fair values of financial instruments include market prices and values calculated reasonably when there is no market price. Since variable factors are incorporated in calculating the relevant fair values, it may change depending on the different assumptions.

b. Fair values of financial instruments

The carrying amount, fair value, and net unrealized gains/losses as of February 28, 2013 and February 29, 2012, are summarized as follows:

Note that the following table does not include financial instruments for which fair values are extremely difficult to determine (see Note (2) below).

	Millions of yen		
February 28, 2013	Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	¥137,148	¥137,146	¥ (2)
Time deposits	76	76	
Receivables:			
Due from franchised stores	14,645	14,645	
Other	31,887	31,887	
Marketable and investment securities:			
Trading securities	184	184	
Held-to-maturity securities	10,200	10,249	49
Available-for-sale securities	6,251	6,251	
Investments in and advances to unconsolidated subsidiaries and associated companies	4,777	5,916	1,139
Leasehold deposits	117,895		
Allowance for doubtful receivables*	(348)		
	117,547	112,983	(4,564)
Total assets	¥322,715	¥319,337	¥(3,378)
Payables:			
Trade accounts for franchised and Company-owned stores	¥ 75,490	¥ 75,490	
Due to franchised stores	4,732	4,732	
Other	21,786	21,786	
Current portion of long-term lease obligations	7,696	7,696	
Income taxes payable	14,392	14,392	
Deposit received	74,319	74,319	
Long-term lease obligations	35,271	35,476	¥ 205
Leasehold deposits from franchised stores	10,458	10,209	(249)
Total liabilities	¥244,144	¥244,100	¥ (44)

	Millions of yen		
February 29, 2012	Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	¥133,157	¥133,155	¥ (2)
Time deposits	1,153	1,153	
Receivables:			
Due from franchised stores	11,107	11,107	
Other	32,409	32,409	
Marketable and investment securities:			
Trading securities	129	129	
Held-to-maturity securities	9,700	9,763	63
Available-for-sale securities	4,118	4,118	
Investments in and advances to unconsolidated subsidiaries and associated companies	3,873	3,322	(551)
Leasehold deposits	108,214		
Allowance for doubtful receivables*	(459)		
	107,755	103,066	(4,689)
Total assets	¥303,401	¥298,222	¥(5,179)
Payables:			
Trade accounts for franchised and Company-owned stores	¥ 74,566	¥ 74,566	
Due to franchised stores	4,790	4,790	
Other	20,218	20,218	
Current portion of long-term lease obligations	5,361	5,361	
Income taxes payable	5,066	5,066	
Deposit received	67,242	67,242	
Long-term lease obligations	27,997	28,749	¥ 752
Leasehold deposits from franchised stores	9,900	9,593	(307)
Total liabilities	¥215,140	¥215,585	¥ 445

	Thousands of U.S. dollars		
February 28, 2013	Carrying amount	Fair value	Net unrealized gains/losses
Cash and cash equivalents	$1,474,710	$1,474,688	$ (22)
Time deposits	817	817	
Receivables:			
Due from franchised stores	157,473	157,473	
Other	342,871	342,871	
Marketable and investment securities:			
Trading securities	1,979	1,979	
Held-to-maturity securities	109,677	110,204	527
Available-for-sale securities	67,215	67,215	
Investments in and advances to unconsolidated subsidiaries and associated companies	51,366	63,613	12,247
Leasehold deposits	1,267,688		
Allowance for doubtful receivables*	(3,742)		
	1,263,946	1,214,871	(49,075)
Total assets	$3,470,054	$3,433,731	$(36,323)
Payables:			
Trade accounts for franchised and Company-owned stores	$811,720	$811,720	
Due to franchised stores	50,882	50,882	
Other	234,258	234,258	
Current portion of long-term lease obligations	82,753	82,753	
Income taxes payable	154,753	154,753	
Deposit received	799,129	799,129	
Long-term lease obligations	379,258	381,462	$ 2,204
Leasehold deposits from franchised stores	112,452	109,774	(2,678)
Total liabilities	$2,625,205	$2,624,731	$ (474)

* Allowance for doubtful receivables on leasehold deposits is excluded.

Notes:

(1) Measurement method of fair values of financial instruments

Assets

Cash and cash equivalents and receivables—due from franchised stores and other

The fair values of cash and cash equivalents and receivables—due from franchised stores and other approximate their carrying amounts because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for equity securities and at the quoted price obtained from financial institutions for debt securities. Information on the fair value of the marketable and investment securities by classification is included in Note 7.

Leasehold deposits

The fair values of leasehold deposits are measured at the discounted present value of reasonably expected future cash flows using the yields of national government bonds corresponding to the remaining period.

Liabilities

Payables—trade accounts for franchised and company-owned stores, due to franchised stores and other, current portion of long-term lease obligations, income taxes payable, and deposit received

The fair values of payables—trade accounts for franchised and Company-Owned stores, due to franchised stores and other, current portion of long-term lease obligations, income taxes payable, and deposit received approximate their carrying amounts because of their short maturities.

Long-term lease obligations

The fair values of long-term lease obligations are measured at the discounted present value of aggregated amounts of principal and interest payables using the interest rate that would be applied to a similar lease transaction to be arranged currently.

Leasehold deposits from franchised stores

The fair values of leasehold deposits from franchised stores are measured at the discounted present value of reasonably expected future cash flows using the yields of national government bonds corresponding to the remaining period.

(2) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥17,620	¥11,946	$189,462

c. Maturity analysis for financial assets and securities with contractual maturities

February 28, 2013	Millions of yen Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥137,148			
Time deposits	76			
Receivables:				
Due from franchised stores	14,645			
Other	31,887			
Marketable and investment securities—held-to-maturity securities	1,900	¥ 8,300		
Leasehold deposits	4,030	33,070	¥33,855	¥46,940
Total	¥189,686	¥41,370	¥33,855	¥46,940

February 28, 2013	Thousands of U.S. dollars Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	$1,474,710			
Time deposits	817			
Receivables:				
Due from franchised stores	157,473			
Other	342,871			
Marketable and investment securities—held-to-maturity securities	20,430	$ 89,247		
Leasehold deposits	43,333	355,592	$364,032	$504,731
Total	$2,039,634	$444,839	$364,032	$504,731

d. Maturity analysis for lease obligations

Please see Note 10 for annual maturities of lease obligations.

18 Derivatives

The Company enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company does not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk. Market risk is the exposure created by potential fluctuations in market conditions, including foreign exchange rates. Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The execution and control of derivatives are controlled by the Accounting and Finance Department of the Company in accordance with the Company's internal regulation.

The Company had no derivative contracts outstanding as of February 28, 2013 and February 29, 2012.

19 Contingent Liabilities

As of February 28, 2013, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantee of financial institution loan, borrowed by:		
Hokkaido FamilyMart Co., Ltd.	¥ 66	$ 710
POCKET CARD CO., LTD.	4,090	43,978
Total	¥4,156	$44,688

Note:
The Company guarantees the debts succeeded to by POCKET CARD CO., LTD. since POCKET CARD CO., LTD. accounted for by the equity method merged with Famima Credit Corporation on September 15, 2012.

20 Comprehensive Income

The components of other comprehensive income for the year ended February 28, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars
Unrealized gain on available-for-sale securities:		
Gain incurred during the year	¥2,132	$22,925
Reclassification adjustment to net income		
Amount before tax effect	2,132	22,925
Tax effect	(760)	(8,172)
Unrealized gain on available-for-sale securities	1,372	14,753
Foreign currency translation adjustments:		
Gain incurred during the year	2,251	24,204
Reclassification adjustment to net income	850	9,140
Foreign currency translation adjustments	3,101	33,344
Share of other comprehensive income in affiliates accounted for by the equity method:		
Gain incurred during the year	571	6,140
Reclassification adjustment to net income	34	365
Share of other comprehensive income in affiliates accounted for by the equity method	605	6,505
Total other comprehensive income	¥5,078	$54,602

The corresponding information for the year ended February 29, 2012 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

21 Net Income per Share

Basis of computation of basic net income per share ("EPS") for the years ended February 28, 2013 and February 29, 2012, is as follows:

	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
February 28, 2013	Net income	Weighted-average shares	EPS	
EPS:				
Net income	¥25,020			
Net income available to common shareholders	¥25,020	94,930	¥263.6	$2.83

	Millions of yen	Thousands of U.S. dollars	Yen
February 29, 2012	Net income	Weighted-average shares	EPS
EPS:			
Net income	¥16,584		
Net income available to common shareholders	¥16,584	94,932	¥174.7

22 Subsequent Event

Cash Dividends

On April 16, 2013, the following appropriation of retained earnings at February 28, 2013 was resolved by the Board of Directors:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥54.0 ($0.58) per share	¥5,126	$55,118

23 Related Party Transactions

Transactions of the Company with related parties for the years ended February 28, 2013 and February 29, 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Takashi Endo (corporate auditor and attorney):			
Attorney's fee	¥ 35	¥ 80	$ 376
Accounts payable—other	14	25	151
Famima Credit Corporation (subsidiary company of an associated company):			
Guarantee of financial institution loan		18,821	
NIPPON ACCESS, INC. (fellow subsidiary):			
Purchase	12,078	12,997	129,871
Trade accounts payable for franchised and Company-owned store	14,272	15,771	153,462
Dolce Co., Ltd. (fellow subsidiary):			
Purchase	3,157		33,946
Trade accounts payable for franchised and Company-owned store	5,874		63,161
Taiwan Distribution Center Co., Ltd. (associated company of a subsidiary company):			
Purchase	6,831	5,838	73,452
Trade accounts payable for franchised and Company-owned store	9,963	9,006	107,129

24 Segment Information

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

The principal business of the Group is convenience store business. The Company and domestic and foreign area franchisers are developing largely "FamilyMart" chain stores. Each area franchiser is an independent management unit, designing comprehensive strategies on the respective area authorized to develop chain stores by the area franchise system and deploying operating activities.

Accordingly, the Group consists of area segments based on business development system for convenience store businesses and its related business (logistics, food production, etc.), which are "Japan" business, "Taiwan" business, "Thailand" business and "South Korea" business as the reportable segments.

(2) Methods of measurement for the amounts of operating revenues, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those described in Note 2, "Summary of Significant Accounting Policies."

Segment profit corresponds to the figure based on the net income.

Intersegment operating revenues or transfers consist of principally royalty income from foreign area franchisers.

(3) Information about operating revenues, profit (loss), assets and other items for the years ended February 28, 2013 and February 29, 2012

	Millions of yen								
	2013								
	Reportable segment								
	Japan	Taiwan	Thailand (Note 1)	South Korea (Note 2)	Total	Other (Note 3)	Total	Reconciliations (Note 4)	Consolidated (Note 5)
Operating revenues from outside the Group	¥285,068	¥30,449	¥17,101		¥332,618	¥ 1,469	¥334,087		¥334,087
Intersegment operating revenues or transfers	894	16			910		910	¥ (910)	
Total	¥285,962	¥30,465	¥17,101		¥333,528	¥ 1,469	¥334,997	¥ (910)	¥334,087
Segment profit (loss)	¥ 21,571	¥ 1,118	¥ 3,863	¥ 663	¥ 27,215	¥(1,262)	¥ 25,953	¥ (933)	¥ 25,020
Segment assets	486,745	52,808	(2,885)	6,044	542,712	1,112	543,824	(17,234)	526,590
Other:									
Depreciation and amortization	16,076	3,201	528		19,805	25	19,830		19,830
Equity in earnings of unconsolidated subsidiaries and associated companies	1,083	260	216	663	2,222	(1,344)	878		878
Gain on sales of investments in subsidiaries and associated companies			4,474		4,474		4,474		4,474
Loss on impairment of long-lived assets	2,305	19			2,324	37	2,361		2,361
Income taxes	16,501	303	862		17,666	69	17,735		17,735
Minority interests in net income	395	1,681	1		2,077	(325)	1,752		1,752
Investments in associated companies accounted for by the equity method	15,316	4,537	(2,885)	6,044	23,012	9	23,021	(1,782)	21,239
Increase in property and store facilities and intangible assets	31,771	7,377	1,094		40,242	91	40,333		40,333

					Millions of yen				
					2012				
	Reportable segment								
	Japan	Taiwan	Thailand	South Korea (Note 2)	Total	Other (Note 3)	Total	Reconciliations (Note 4)	Consolidated (Note 5)
Operating revenues from outside the Group	¥279,964	¥27,667	¥20,334		¥327,965	¥1,253	¥329,218		¥329,218
Intersegment operating revenues or transfers	808	20			828		828	¥ (828)	
Total	¥280,772	¥27,687	¥20,334		¥328,793	¥1,253	¥330,046	¥ (828)	¥329,218
Segment profit (loss)	¥ 16,189	¥ 1,042	¥ 114	¥1,275	¥ 18,620	¥ (932)	¥ 17,688	¥ (1,104)	¥ 16,584
Segment assets	445,695	41,475	6,013	4,138	497,321	1,908	499,229	(26,407)	472,822
Other:									
Depreciation and amortization	13,133	2,420	610		16,163	27	16,190		16,190
Equity in earnings of unconsolidated subsidiaries and associated companies	43	248	2	1,275	1,568	(775)	793		793
Gain on sales of investments in subsidiaries and associated companies	1,013				1,013		1,013		1,013
Gain on reversal of accounts payable—store closing	2,472				2,472		2,472		2,472
Loss on impairment of long-lived assets	2,578		9		2,587	3	2,590		2,590
Loss on adjustment for application of accounting standard for asset retirement obligations	7,301		144		7,445		7,445		7,445
Loss from a natural disaster	3,433				3,433		3,433		3,433
Income taxes	12,381	638			13,019	34	13,053		13,053
Minority interests in net income	295	1,559	15		1,869	(223)	1,646		1,646
Investments in associated companies accounted for by the equity method	8,238	3,524	44	4,138	15,944	574	16,518	(1,510)	15,008
Increase in property and store facilities and intangible assets	25,611	6,473	745		32,829	19	32,848		32,848

					Thousands of U.S. dollars				
					2013				
	Reportable segment								
	Japan	Taiwan	Thailand (Note 1)	South Korea (Note 2)	Total	Other (Note 3)	Total	Reconciliations (Note 4)	Consolidated (Note 5)
Operating revenues from outside the Group	$3,065,247	$327,409	$183,882		$3,576,538	$ 15,795	$3,592,333		$3,592,333
Intersegment operating revenues or transfers	9,613	172			9,785		9,785	$ (9,785)	
Total	$3,074,860	$327,581	$183,882		$3,586,323	$ 15,795	$3,602,118	$ (9,785)	$3,592,333
Segment profit (loss)	$ 231,946	$ 12,021	$ 41,538	$ 7,129	$ 292,634	$(13,570)	$ 279,064	$ (10,032)	$ 269,032
Segment assets	5,233,817	567,828	(31,021)	64,989	5,835,613	11,957	5,847,570	(185,312)	5,662,258
Other:									
Depreciation and amortization	172,860	34,419	5,678		212,957	269	213,226		213,226
Equity in earnings of unconsolidated subsidiaries and associated companies	11,645	2,796	2,323	7,129	23,893	(14,452)	9,441		9,441
Gain on sales of investments in subsidiaries and associated companies			48,107		48,107		48,107		48,107
Loss on impairment of long-lived assets	24,785	204			24,989	398	25,387		25,387
Income taxes	177,430	3,258	9,269		189,957	742	190,699		190,699
Minority interests in net income	4,247	18,075	11		22,333	(3,494)	18,839		18,839
Investments in associated companies accounted for by the equity method	164,688	48,785	(31,021)	64,989	247,441	97	247,538	(19,162)	228,376
Increase in property and store facilities and intangible assets	341,624	79,323	11,763		432,710	978	433,688		433,688

Notes: 1. "Thailand" business segment for the year ended February 28, 2013 represents the business of associated companies accounted for by the equity method after Siam FamilyMart Co., Ltd. and another company were excluded from the scope of consolidation on the deemed sale date of the third quarter end.

2. "South Korea" business segment represents the business of an associated company accounted for by the equity method.

3. "Other" is a business segment which is not included in any reportable segment and includes operating activities in the United States of America, China, etc.

4. The nature of "Reconciliations" is as follows:

(1) "Reconciliations" of "Intersegment operating revenues or transfers" of ¥(910) million ($(9,785) thousand) and ¥(828) million and "Segment profit (loss)" of ¥(933) million ($(10,032) thousand) and ¥(1,104) million represent elimination of intersegment transactions for the years ended February 28, 2013 and February 29, 2012, respectively.

(2) "Reconciliations" of "Segment assets" of ¥(17,234) million ($(185,312) thousand) and ¥(26,407) million consist of the elimination of intersegment transactions of ¥(16,117) million ($(173,301) thousand) and ¥(24,435) million and other reconciliations of ¥(1,117) million ($(12,011) thousand) and ¥(1,972) million for the years ended February 28, 2013 and February 29, 2012, respectively.

(3) "Reconciliations" of "Investments in associated companies accounted for by the equity method" of ¥(1,782) million ($19,162 thousand) and ¥(1,510) million represent the elimination of intersegment transactions for the years ended February 28, 2013 and February 29, 2012, respectively.

5. Segment profit (loss) is reconciled with net income on the consolidated statements of income.

Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of FamilyMart Co., Ltd.:

We have audited the accompanying consolidated balance sheet of FamilyMart Co., Ltd. and consolidated subsidiaries as of February 28, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FamilyMart Co., Ltd. and consolidated subsidiaries as of February 28, 2013, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

May 23, 2013

Member of
Deloitte Touche Tohmatsu Limited

Corporate History

1972	Sept.	The Planning Office of The Seiyu Stores, Ltd., sets up a Small Store Section.
1973	Sept.	The first convenience store opens on a trial basis in Sayama, Saitama Prefecture.
1978	Mar.	The Seiyu Stores establishes FamilyMart Department; four stores operating.
1981	Sept.	The Seiyu Stores establishes FamilyMart Co., Ltd., and transfers business and property; 89 stores operating.
1987	Oct.	FamilyMart and RYUBO CO., LTD., in Naha, Okinawa Prefecture, jointly establish Okinawa FamilyMart Co., Ltd.
	Dec.	The Tokyo Stock Exchange lists FamilyMart stock on the Second Section.
1988	Aug.	FamilyMart and partner companies in Taiwan jointly establish Taiwan FamilyMart Co., Ltd.
1989	Aug.	The Tokyo Stock Exchange lists FamilyMart stock on the First Section.
1990	July	FamilyMart concludes a contract with BOKWANG FAMILYMART CO., LTD. (currently BGFretail Co., Ltd.), of Seoul, South Korea, for the transfer of convenience store operational know-how and the use of the FamilyMart service logo under license; under this contract, franchising operations for FamilyMart stores in South Korea commence.
1992	Sept.	FamilyMart jointly establishes Siam FamilyMart Co., Ltd., with Robinson Department Store Public Co., Ltd.; Saha Pathanapibul Public Co., Ltd.; and ITOCHU (THAILAND) LTD. (currently Central FamilyMart Co., Ltd.)
1993	Apr.	FamilyMart and Homboshoten Co., Ltd., in Kagoshima jointly establish Minami Kyushu FamilyMart Co., Ltd.
1998	Feb.	The ITOCHU Group buys the stock of FamilyMart from The Seiyu, Ltd., and other companies, becoming the largest shareholder.
1999	Mar.	All offices and stores of FamilyMart receive blanket certification under ISO 14001, the international standard for environmental management systems.
	Sept.	FamilyMart and 25 other companies (including 4 convenience store chains and 10 financial institutions) jointly establish E-net Co., Ltd., to install ATM machines in stores.
2000	May	To promote electronic commerce, FamilyMart and top companies in each industry — including ITOCHU Corporation, NTT DATA Corporation, and Toyota Motor Corporation — jointly establish famima.com Co., Ltd.
	Oct.	FamilyMart experimentally introduces Famiport Multimedia Terminals in some stores (full-scale introduction in Feb. 2001).
2001	Nov.	FamilyMart establishes IFJ Co., Ltd. (currently Famima Credit Corporation), a credit card company.
2002	Feb.	Taiwan FamilyMart is listed on the GreTai Securities Market, an over-the-counter stock market in Taiwan.
	May	FamilyMart introduces an IC card (JUPI card).
2003	Dec.	FamilyMart becomes the first convenience store chain of Japanese origin to reach 10,000 stores in Asia.
2004	May	FamilyMart jointly establishes Shanghai FamilyMart Co., Ltd. (China), in cooperation with four partners — TingHsin (Cayman Islands) Holding Corporation; Taiwan FamilyMart Co., Ltd.; ITOCHU Corporation; and CITIC Trust & Investment Co., Ltd.
	Oct.	FamilyMart introduces its Famima Card.
	Oct.	FamilyMart jointly establishes FAMIMA CORPORATION (U.S.A.) in cooperation with two partners — ITOCHU Corporation and ITOCHU International Inc. (U.S.A.).
2006	Feb.	FamilyMart and Sapporo-based company Maruyo Nishio Co., Ltd. (currently Seico Fresh Foods Co., Ltd.) jointly establish Hokkaido FamilyMart Co., Ltd.
	July	Hokkaido FamilyMart Co., Ltd. begins the development of FamilyMart stores in Hokkaido. With this, FamilyMart finally extends its store network to every one of Japan's 47 prefectures.
	Sept.	FamilyMart's 25th anniversary, with drafting of new Basic Principles.
	Sept.	FamilyMart jointly establishes Guangzhou FamilyMart Co., Ltd. (China), in cooperation with three partners — Ting Chuan (Cayman Islands) Holding Corp., Taiwan FamilyMart Co., Ltd., and ITOCHU Corporation.
2007	July	FamilyMart jointly establishes Suzhou FamilyMart Co., Ltd. (China), in cooperation with three partners — Ting Chuan (Cayman Islands) Holding Corp., Taiwan FamilyMart Co., Ltd., and ITOCHU Corporation.
	Nov.	FamilyMart introduces its Famima T Card.
2009	Aug.	FamilyMart becomes the first convenience store chain of Japanese origin to have more stores overseas than it has in Japan.
	Dec.	FamilyMart acquires am/pm Japan Co., Ltd. and makes it a wholly owned subsidiary.
2010	Mar.	Integration with am/pm Japan Co., Ltd. completed.
	July	FamilyMart concludes a joint-area franchise agreement with JR KYUSHU RETAIL, INC.
2011	Apr.	Integration with am/pm Kansai Co., Ltd. completed.
	Nov.	FamilyMart jointly establishes Hangzhou FamilyMart Co., Ltd. (China) in Hangzhou City, China in cooperation with two partners — Ting Chuan (Cayman Islands) Holding Corp. and Taiwan FamilyMart Co., Ltd.
	Dec.	FamilyMart jointly establishes Chengdu FamilyMart Co., Ltd. (China), in cooperation with two partners — Ting Chuan (Cayman Islands) Holding Corp. and Taiwan FamilyMart Co., Ltd.
2012	Feb.	FamilyMart achieves a global network of 20,000 stores.
	Apr.	FamilyMart acquires SENIOR LIFE CREATE Co., Ltd.
	Nov.	FamilyMart jointly establishes Philippine FamilyMart CVS, Inc. (the Philippines), in cooperation with two partners — SIAL CVS RETAILERS INC., a joint venture between the Ayala Group and the Rustan Group, and ITOCHU Corporation.
	Nov.	FamilyMart jointly establishes Shenzhen FamilyMart Co., Ltd. (China), in cooperation with two partners — Ting Chuan (Cayman Islands) Holding Corp. and Taiwan FamilyMart Co., Ltd.

Investor Information

Corporate Data (non-consolidated)

(As of February 28, 2013)

Corporate name:	FamilyMart Co., Ltd.
Head office:	1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-6017, Japan Telephone: (81) 3-3989-6600
Incorporated:	September 1, 1981
Paid-in capital:	¥16,659 million
Fiscal year:	March 1st to the last day of February
Number of full-time employees:	3,364
Authorized shares:	250,000,000
Issued shares:	97,683,133 (Treasury stock: 2,754,588 shares)
Number of shareholders:	12,270
Stock exchange listing:	Tokyo Stock Exchange, First Section
Securities code:	8028
Trading unit of shares:	100 shares
Transfer agent:	Sumitomo Mitsui Trust Bank, Limited.
Independent auditors:	Deloitte Touche Tohmatsu
Ordinary general meeting of shareholders:	May each year

Principal Shareholders

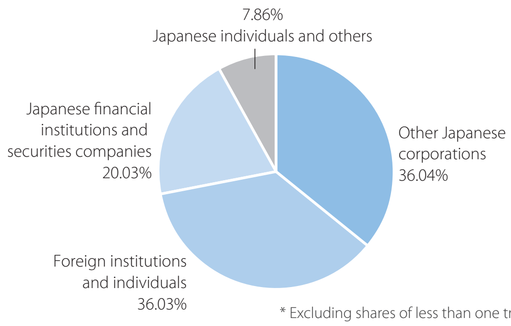
(As of February 28, 2013)

Name of Shareholders	Number of Shares (thousands)	Shareholdings (%)
ITOCHU Corporation	29,941	30.7
NTT DoCoMo, Inc.	2,931	3.0
Japan Trustee Services Bank, Ltd. (Trust account)	2,538	2.6
Mizuho Bank, Ltd.	2,085	2.1
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,027	2.1
Nippon Life Insurance Company	1,964	2.0
The Master Trust Bank of Japan, Ltd. (Trust account)	1,947	2.0
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	1,533	1.6
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,363	1.4
JP MORGAN CHASE BANK 380055	1,239	1.3
Total	47,568	48.7

Notes: 1. In addition to the above, the Company also holds 2,754 thousand shares in treasury.
2. Figures under the shareholdings represent shares as a percentage of total number of issued shares.

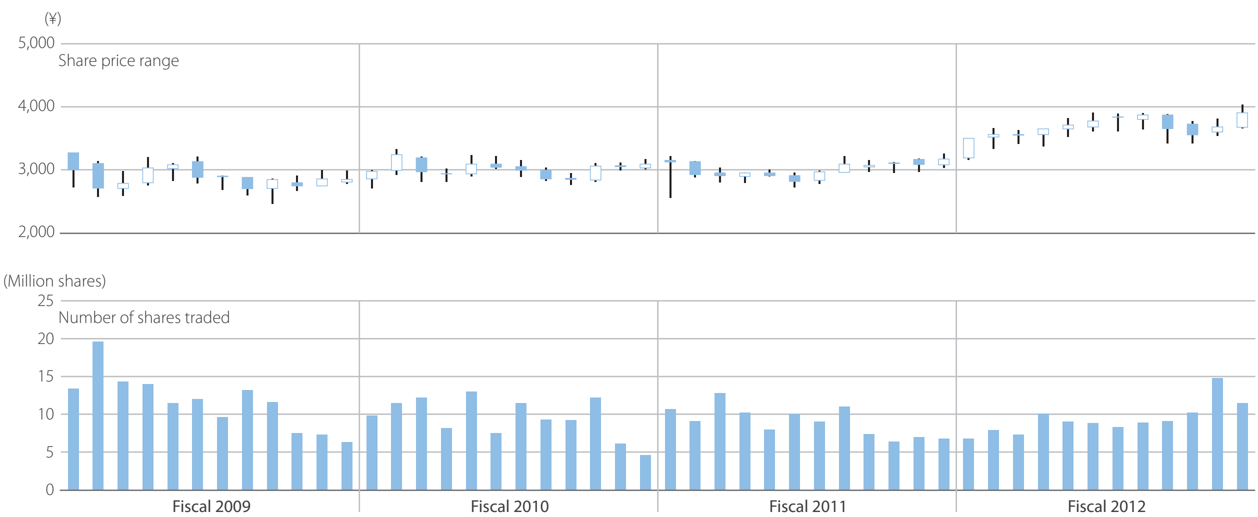
Distribution of the Shares

(As of February 28, 2013)



* Excluding shares of less than one trading unit

Share Price Range and Number of Shares Traded

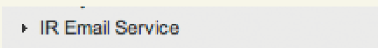


(Years ended the last day of February)

Please visit the FamilyMart Website!

On our website, we make available a variety of Company information, including a Message from the President, financial summaries, and monthly business performance data, as well as news releases and other information of interest to investors.

http://www.family.co.jp/english



We provide an IR email service, through which we inform subscribers of matters of interest to investors.

Cautionary Statement

This report contains forward-looking statements, including the Company's strategies, future business plans, and projections. Such forward-looking statements are not based on historical facts and involve known and unknown risks and uncertainties that relate to, but are not necessarily confined to, such areas as economic trends and consumer preferences in Japan and abrupt changes in the market environment. Accordingly, the actual business performance of the Company may substantially differ from the forward-looking statements in this report.

FamilyMart

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